1. PROTECTIONISM IS STILL A CONCERN

According to data collected by Global Trade Alert (GTA), governments around the globe implemented 638 state measures that discriminate against foreign commercial interests between November 2008 and September 2010. Measures that harm commercial interests of trading partners outnumber measures with beneficial effects by more than two to one, although each measure may differ in scope and impact. It is important to check whether protectionism has abated with the recovery of the world economy. Figure 33 plots the number of harmful measures implemented per quarter since November 2008. At first glance, the graph shows a slowdown in the use of discriminatory state actions. However, the effects of many interventions are felt sometimes several (up to 12) months after their actual implementation. Therefore, the noted decline of harmful state actions over time does not necessarily reflect improved government behaviour. Moreover, much of the discriminatory measures put in place have yet to be removed, while more than 200 measures have been announced and may be implemented in the months ahead.

Despite claims to the contrary, discriminatory measures against trading partners are still prevalent globally and regionally

Discriminatory measures hurt trading partners selectively and go counter to the spirit and, often, commitments under MTS. For example, China is the most frequent target of crisis-era protectionism and suffered 321 hits to its commercial interest abroad between November 2008 and September 2010. All other top 10 target jurisdictions are industrialized countries, including Japan and the Republic of Korea. Emerging economies from Asia and the Pacific which appear on the list of top 20 target jurisdictions include India, Thailand and Turkey. These countries’ foreign commercial interests were targeted less than half the number of times than China’s. Is the treatment of the least developed countries different? As mentioned in Mikic (2009), the international community has repeatedly declared that the least developed countries in the world should be assisted in their

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49 Figures and numbers in this section are from Evenett and Wermelinger (2010) or from the Global Trade Alert website (http://www.globaltradealert.org).
efforts to integrate into the global economy. Despite these declarations, least developed countries have been the target of various discriminatory interventions during the crisis-era, while none of them so far has implemented any measure themselves.

The data also reveal that some countries inflict harm more often than others. Four indicators of harm done by a country’s discriminatory policies are reported by GTA.\textsuperscript{50} It is interesting to note that India, Indonesia, Kazakhstan and the Russian Federation appear on the list of the top 10 countries instigating discriminatory policies under at least two indicators, while (as described in the subsection above) none of these countries is among the top 10 targeted countries. China is ranked third with respect to the number of trading partners affected by (almost certainly) discriminatory measures, but is not among the top 10 worst offenders in other categories. Another interesting aspect is that quite a few countries responsible for many of the measures harming the trade interests of Asia-Pacific economies are within the region. Indonesia and the Russian Federation, in particular, feature prominently (see Evenett and Wermelinger, 2010; tables 2 and 3).

2. **BEHIND-THE-BORDER NON-TARIFF MEASURES ARE THE MOST PREVALENT**

APTIR (ESCAP, 2009a) showed that Asia and Pacific countries generally have ample space to increase their applied MFN tariffs to their bound rates. According to the most recent report on the levels of tariffs of the WTO members, it appears that most members did not use this space and restrained themselves from increasing the levels of MFN applied tariffs in 2009 (WTO, 2010f). Therefore, tariff protectionism of the 1930s-kind has not taken place and MFN applied tariffs in many Asia-Pacific countries have not changed significantly from pre-crisis levels. Nonetheless, the literature on crisis-era trade policy has alluded to the increasing incidence of less transparent protectionist measures – so-called “murky” protectionism – during the recent global economic crisis (see, for example, Evenett and Wermelinger, 2010). This subsection examines the recent evidence of this type of protectionism.

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\textsuperscript{50} These indicators are (1) number of (almost certainly) discriminatory measures imposed, (2) number of tariff lines (product categories) affected by (almost certainly) discriminatory measures, (3) number of sectors affected by (almost certainly) discriminatory measures, and (4) number of trading partners affected by (almost certainly) discriminatory measures.

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\textsuperscript{51} Including consumption subsidies, local content requirements, public procurement measures, bailout/state aid measures, export subsidies and trade finance support.
When one examines the evidence, however, it is surprising that many of the reported crisis-era state support measures were not provided to the financial sector, but to other troubled industries which hardly posed a “systemic threat”. For example, 60% of all “bailout season” ended with the apparent recovery from the crisis. However, no signs of such a slowdown can be found in the data; such measures remain the most often used discriminatory policy tool, followed by trade defence actions.

It is also interesting that there is symmetry between the measures inflicting harm on Asia-Pacific economies and the measures imposed by the region’s economies (see figure 35). A comparison with the global distribution of such measures shows that tariff increases and trade defence measures are more prevalent in the Asia-Pacific region. Behind-the-border measures make up a smaller share of total protectionist measures in Asia and the Pacific, than globally, but are still a dominant measure.

**Compared with the world average, the Asia-Pacific region resorts to tariff-related measures more often**

bailout/State aid measures implemented between November 2008 and June 2009 recorded in the GTA database were provided to non-financial sectors. Moreover, one would expect that the...
3. **HOW IS CHINA’S TRADE AFFECTED BY CONTEMPORARY PROTECTIONISM?**

Given the rising importance of China as a regional and global engine of growth, it is opportune to investigate to what extent the country has been a target of foreign discriminatory measures. It was mentioned above that China’s commercial interests were hit most frequently by such discriminatory measures.\(^{52}\) Out of the 1,226 measures investigated by GTA between November 2008 and September 2010, 607 measures affected Chinese exports. More than half of these, namely, 321, were “almost certainly” discriminatory against China’s commercial interests; another 180 measures were announced or under consideration and would (if implemented) involve discrimination. Only 106 (out of 607) measures against China were benign or beneficial to its commercial interests. This subsection reviews the results of Evenett and Wermelinger (2010) who investigated to what extent China’s exports and imports were affected by foreign discriminatory measures and whether such measures included the less-transparent forms of intervention that affect China’s trade even more. The estimates are calculated using a conservative methodology that almost surely underestimates the set of relevant measures.\(^{53}\)

It appears that the volume of trade affected by a large number of measures that discriminate against China’s commercial interests is substantial. Table 17 shows that almost 10% of total exports from China is affected, mostly as a result of interventions that affect China’s exports directly (i.e. China’s exports of a particular product to a jurisdiction implementing measures specifically targeting that product).\(^{54}\) Two comments on the interpretation of the results need to be made. Firstly, the bigger estimate (for directly affected exports) is also the more precise as the measures involved indeed directly hinder the concerned exports. Secondly, the smaller estimate (for indirectly affected exports) is calculated on the basis of a conservative methodology mentioned above, which is likely to underestimate the real impact. The situation is of less concern on the import side. China’s trading partners have used export restrictions and competitive devaluation measures that may be against China’s commercial interests as it may have affected its imports. Estimates show that approximately $45 billion Chinese imports (which correspond to 4% of total Chinese imports) were affected by these measures.

An additional analysis of evidence confirms previous findings. Although tariff increases and trade defence measures are the most frequently used measures to affect China’s commercial interests, it is the less-transparent “behind-the-border” measures that affect a larger volume of Chinese trade, as illustrated in figure 36.

\(^{52}\) China is always the top targeted economy regardless of measurement and type of measure (such as the number of discriminatory measures affecting specific trading partner, number of pending measures likely to affect trading partner, or number of countries imposing discriminatory measures against trading partners).

\(^{53}\) Detailed explanations regarding methodology and calculations can be reviewed in Evenett and Wermelinger (2010).

\(^{54}\) By contrast, China’s exports of a particular product are indirectly affected if its exports to the world (not bilateral exports) of particular product lines concerned are affected. Again, more details can be found in Evenett and Wermelinger (2010).

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**Table 17. How much of China’s trade is affected by discriminatory measures?**

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<td>directly</td>
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<td>124.39</td>
<td>18.12</td>
<td>142.51</td>
<td>8.69%</td>
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Figure 36. Share of different types of measures affecting China’s trade, weighted by trade covered
(Per cent)

Source: Global Trade Alert.

Notes: Tariff-related measures include tariff and trade defence measures. NTMs at the border include quotas, import bans, technical barriers to trade and NTBs (not otherwise specified). NTMs behind the border include consumption subsidies, local content requirements, public procurement, bailout/State aid measures, export subsidies, trade finance support, support to State trading enterprises and State-controlled companies. Others include investment, migration, intellectual property rights protection and other service sector measures.