

BRICS Trade Strategy: Time for a Rethink

by Simon J. Evenett



CEPR Press

GLOBAL
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The BRICS Trade Strategy: Time for a Rethink

The 17th GTA Report

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About Global Trade Alert (GTA)

Global Trade Alert provides information in real time on state measures taken during the current 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

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Foreword

The term BRICS was coined by Jim O'Neill from Goldman Sachs over a decade ago. Unlike many acronyms, this one has stuck - largely because of the growing share of the world economy associated with the emerging economic powers Brazil, India, China, Russia and South Africa (the latter being added somewhat later.) With the greater global footprint the policy choices of these countries matter more.

This report draws upon the growing Global Trade Alert database of crisis-era policy choices to critically assess the trade strategies of the BRICS nations in advance of their annual summit in Russia in July 2015. The Report provides an up-to-date account of the harm done to these countries' commercial interests as well as the resort to protectionism and market reforms undertaken by the BRICS. It includes a clear recommendation, namely, that the BRICS ought to be included in the vanguard of measures at the global level to discourage, monitor, and unwind protectionism.

The Global Trade Alert is an important part of the portfolio of trade policy-related initiatives undertaken by CEPR researchers in recent years. Other initiatives have included dissecting WTO negotiations and the impasse over the Doha round of multilateral trade negotiations; understanding the factors responsible for the collapse of world trade in 2009; and analyses of proposals to create so-called mega-regional trade agreements. These initiatives have produced a large amount of well-regarded analysis that can be found on www.cepr.org and on www.VoxEU.org.

Sustained data collection initiatives such as the Global Trade Alert do not happen without the commitment of a dedicated team. In this case, the team is led by Simon J. Evenett, Co-Director of the CEPR's International Trade and Regional Economics Programme. Day-to-day management of the Global Trade Alert is ably performed by Dr. Johannes Fritz. In addition, the following team members contributed considerably to the major data collection effort undertaken during the past seven months: Ajsun Aly, Nithya Anand, Morgan Boëffard, Steven Chiu, Michael Füglistner, Craig VanGrasstek, Chintan Jadwani, Piotr Lukaszuk, Iva Mihaylova, and Adelina Selimi. Anil Shamdasani smoothly managed the preparation of this manuscript for publication. On behalf of CEPR, I am very grateful to them all.

Dr. Tessa Ogden
Deputy Director, CEPR
2 July 2015

1 Executive Summary

What approach to trade policy should the BRICS leaders take at their forthcoming summit in Ufa, Russia?¹ In 2014, those leaders and their trade ministers focused on fostering commercial ties, establishing a New Development Bank, advocating steps at the World Trade Organization (WTO) and cautioning that mega-regional free trade deals, such as the Trans-Pacific Partnership, should not harm non-members.²

At a time when each of the BRICS' exports are falling and when only India is expected to see faster economic growth in 2015 and 2016, this report argues that the trade strategy of the BRICS should be rethought. Greater attention should be placed on the unilateral actions taken by governments that limit imports and that artificially inflate exports. The report will show that, on average, every day since the Global Crisis began the commercial interests of at least one BRICS nation have been harmed by the imposition of a foreign trade distortion. The BRICS ought to have a strong interest in discouraging and unwinding protectionism.

Moreover, BRICS trade ministers may want to rethink the wisdom of their excusing protectionism imposed by developing countries on the grounds that their economies are deserving of 'special and differential treatment'. This report will show that 'only' a fifth of the trade distortions harming the BRICS were implemented by the leading industrialised countries. There isn't much evidence of BRICS solidarity either, as one third of the hits to BRICS commercial interests come from another BRICS member. There is an opportunity here for the BRICS members to show global leadership on protectionism by exercising restraint both individually and collectively.

1 For the purposes of this report, the BRICS group of nations is taken to include Brazil, China, India, Russia, and South Africa. It is well known that when the term BRIC was introduced it referred to the first four of these five nations. The inclusion of South Africa here reflects its attendance at the BRICS summits.

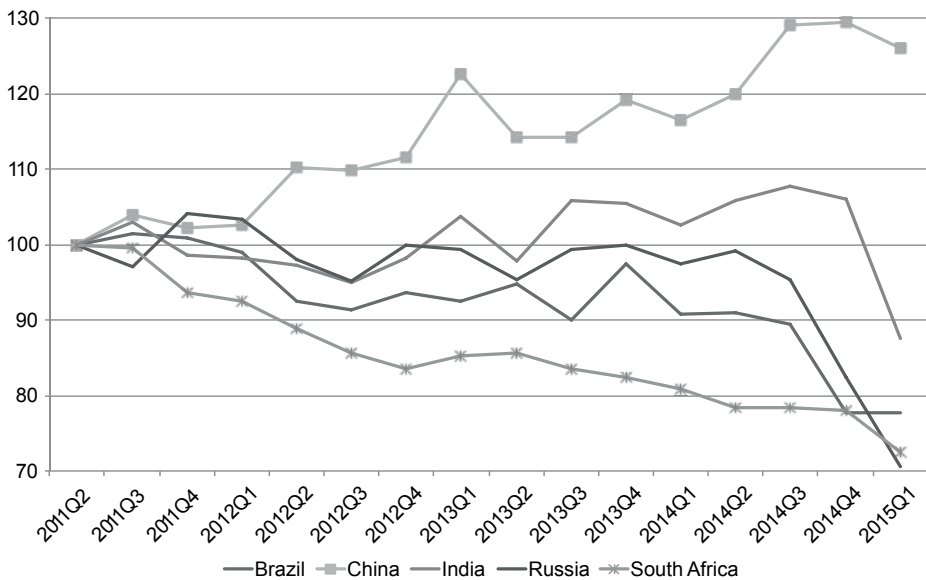
2 The 2014 BRICS leaders' declaration can be found at <http://brics6.itamaraty.gov.br/category-english/21-documents/223-sixth-summit-declaration-and-action-plan>. The communique of the BRICS trade ministers meeting, which took place just before their leaders met in Brazil in 2014, can be found at <http://brics6.itamaraty.gov.br/category-english/21-documents/225-communique-of-the-meeting-of-trade-ministers-on-the-eve-of-the-vi-summit>.

BRICS exports have stalled

At the end of May 2015, the OECD published data on the first quarter exports and imports of leading trading nations, including the BRICS (OECD 2015). These data showed that, in US dollar terms, the total value of each BRICS nation's exports was falling (see Figure 1.1). Worse, the exports of Brazil, India, Russia, and South Africa have essentially stagnated over the past four years or have deteriorated significantly. China's exports appear to have plateaued at the end of 2014.

Such data should worry BRICS policymakers, as exports have been a useful driver of economic growth in many emerging markets. It certainly prevents one argument from being made that is frequently used to dismiss concerns about protectionism, namely, exports are growing so what's the problem? If BRICS trade ministers aren't concerned now about their nations' export performance, then what fall in exports *would* get their attention?

Figure 1.1 Only China's exports are now worth more in US dollar terms than four years ago – and even there Q1 2015 data is disturbing



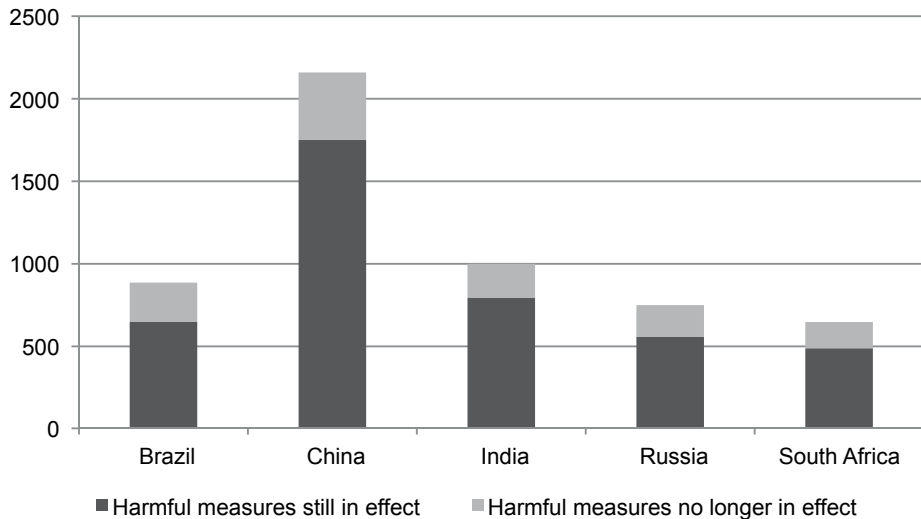
Source: OECD (2015). For each series the data was normalised to 100 in Q2 2011.

Fighting the wrong enemy?

Using data collected by the independent Global Trade Alert (GTA),³ whose database now contains 134% more entries for government policies taken since the crisis began⁴ than the WTO's Trade Monitoring Database, the number of times the commercial interests of each of the BRICS have been harmed by trading partners can be calculated. The summary statistics for the BRICS are shown in Figure 1.2. Taken together, 2,733 measures taken by trading partners have harmed one or more members of the BRICS. In fact, since the Crisis began, 60% of the protectionist measures implemented worldwide have harmed at least one member of the BRICS.

No country in the world has seen their commercial interests hit as often as China, whose interests have been harmed a total of 2,153 times. South Africa, the least hit of the BRICS, has seen its commercial interests hit 649 times. Any notion that the BRICS have been able to escape beggar-thy-neighbour policies since the Crisis began should be set aside.

Figure 1.2 The BRICS' commercial interests have been hit over 2,700 times since the Crisis began



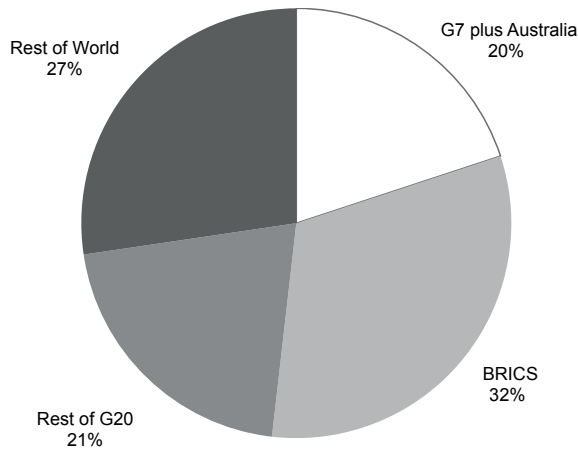
³ The Global Trade Alert database is best thought as capturing the change in policy stance towards foreign commercial interests since the Global Crisis began. In terms familiar to economists, it is therefore interested in the 'flow' of new government measures. This approach does not deny the potential importance of the 'stock' of commercial policies existing before the Crisis began. For the record, it should also be noted that the Global Trade Alert database contains data on measures that improve the relative treatment of foreign commercial interests vis-à-vis domestic interests as well as measures that harm the former at the expense of the latter. Information on each of the 6,849 measures currently in the Global Trade Alert database, plus a range of summary statistics, can be found at www.globaltradealert.org.

⁴ For the Global Trade Alert database, this period is taken as starting with the first Crisis-era summit of G20 leaders in November 2008.

Which trading partners are responsible for the significant number of hits to their commercial interests? This matter takes on particular significance for the BRICS. Not only are these countries signatories to the various G20 pledges to eschew protectionism, but, in their condemnation of protectionism, BRICS trade ministers often excuse measures taken by developing countries on the grounds that they amount to ‘special and differential treatment’. It may come as a surprise, therefore, to find that just 20% of the 2,733 measures harming the BRICS were implemented by the industrialised members of the G20. This, of course, does not imply that such industrial-country protectionism is inconsequential or irrelevant. Rather it suggests that, while it may be diplomatically convenient to frame Crisis-era beggar-thy-neighbour activity in North versus South terms, the reality is quite different.

Figure 1.3 Special and differential treatment for developing countries – at the expense of the BRICS

Distribution of responsibility for Crisis-era hits to BRICS commercial interests



The reality is that the developing country members of the G20 are responsible for more than half of the hits to the commercial interests of the BRICS. Furthermore, notions of BRICS solidarity on protectionism should be set aside – almost a third of the times a BRICS commercial interest is harmed, it is due to actions taken by another member of the club.

Table 1.1 shows that each of the BRICS nations has been harmed at least 199 times by the other four BRICS – with Russia the least hit and, once again, China being hit the most often. A straightforward way for the BRICS to show greater solidarity would be to initiate a programme to unwind the 1,196 measures that they have taken that harm each other’s commercial interests.

Table 1.1 As far as beggaring-thy-neighbour is concerned, there is not much evidence of solidarity among the BRICS

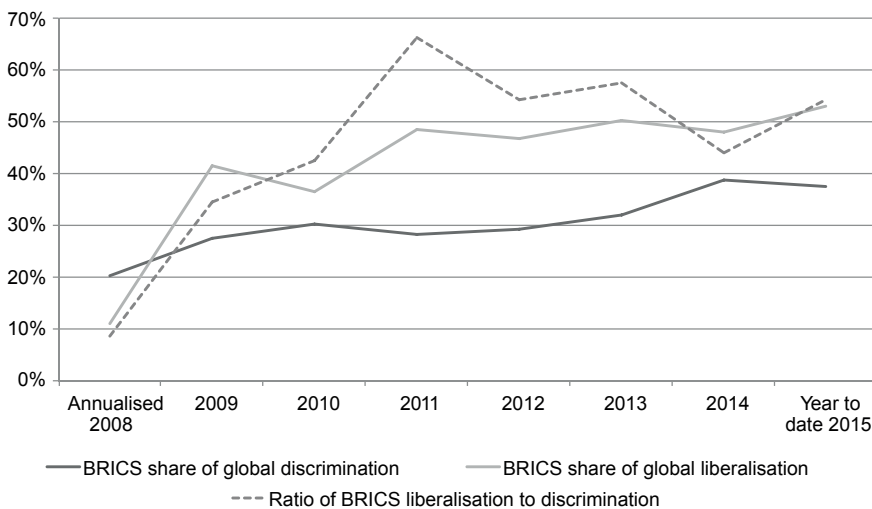
Number of harmful measures imposed since crisis began	Implementing BRICS					Total number of times harmed by fellow BRICS
	Brazil	China	India	Russia	South Africa	
Number of harmful measures still in force						
Harmed BRICS						
Brazil		51	107	79	26	263
China	154		284	202	67	707
India	64	72		81	35	269
Russia	27	50	100		34	205
South Africa	33	66	64	40		199
		48	111	29	4	133
		45	78			239
		35				175

Time to clean up their own act as well

To be fair, since the Crisis began the record of BRICS commercial policy has been mixed, as shown in Figure 1.4. For sure, the BRICS' share of the global total of discriminatory measures has risen year by year from 20% in 2008 to just under 40% in 2014 and 2015.

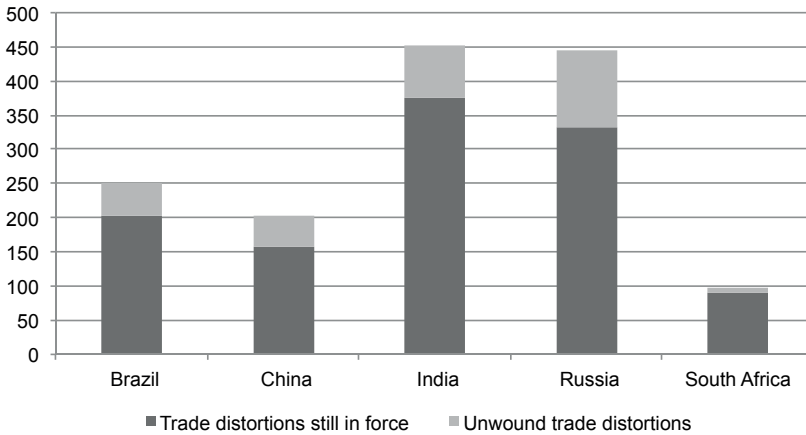
However, it must be acknowledged that the BRICS' share of the global total of liberalising measures has risen to one half in 2014 and 2015. Moreover, for much of the reporting period, half of the BRICS measures introduced each year liberalised trade or foreign investment. While the latter are to be applauded, such findings are tempered by the fact that 28% of BRICS trade reforms were temporary and have already lapsed (the comparable percentage for the rest of the world is much lower at 15%).

Figure 1.4 The mixed commercial policy record of the BRICS



When the spotlight is pointed on the steps taken by BRICS governments to tilt the playing field against foreign commercial interests, the extent of their retreat from open borders becomes clear. Figure 1.5 presents the totals for the number of measures each of the BRICS have taken that discriminate against foreign commercial interests. India and Russia have taken almost 450 harmful measures since the Crisis began. Only a fifth of the BRICS' harmful measures have been unwound.

Figure 1.5 Together, the BRICS have implemented 1,450 trade distortions since the Crisis began, and only 20% have been unwound



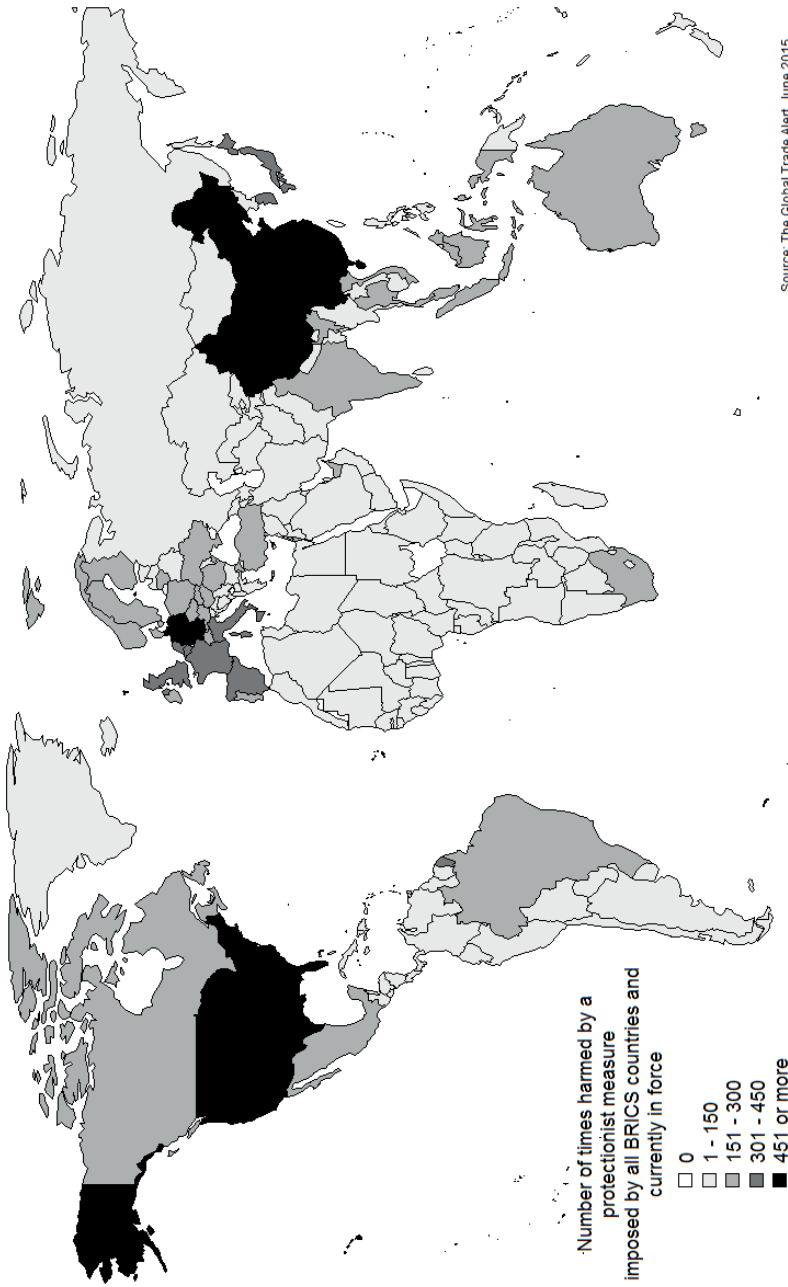
That BRICS protectionism has inflicted harm on trading partners worldwide is shown in Maps 1.1 and 1.2. In the first map, conservative estimates of the total number of times each nation's commercial interests have been hit by discriminatory measures taken by the BRICS group are reported. It is striking how many trading partners of the BRICS have seen their commercial interests hit over 150 times.

As the discussion in Chapter 4 makes clear, since the Global Crisis began three of the BRICS (Brazil, India, and China) have introduced additional incentives to inflate exports. These incentives harm the interests of trading partners that compete in the same markets abroad, boosting the market shares of goods shipped by these three BRICS. Using detailed product and bilateral trade data, as shown in Map 1.2, for many of the BRICS' trading partners the percentage of exports harmed by BRICS export incentives is significant.

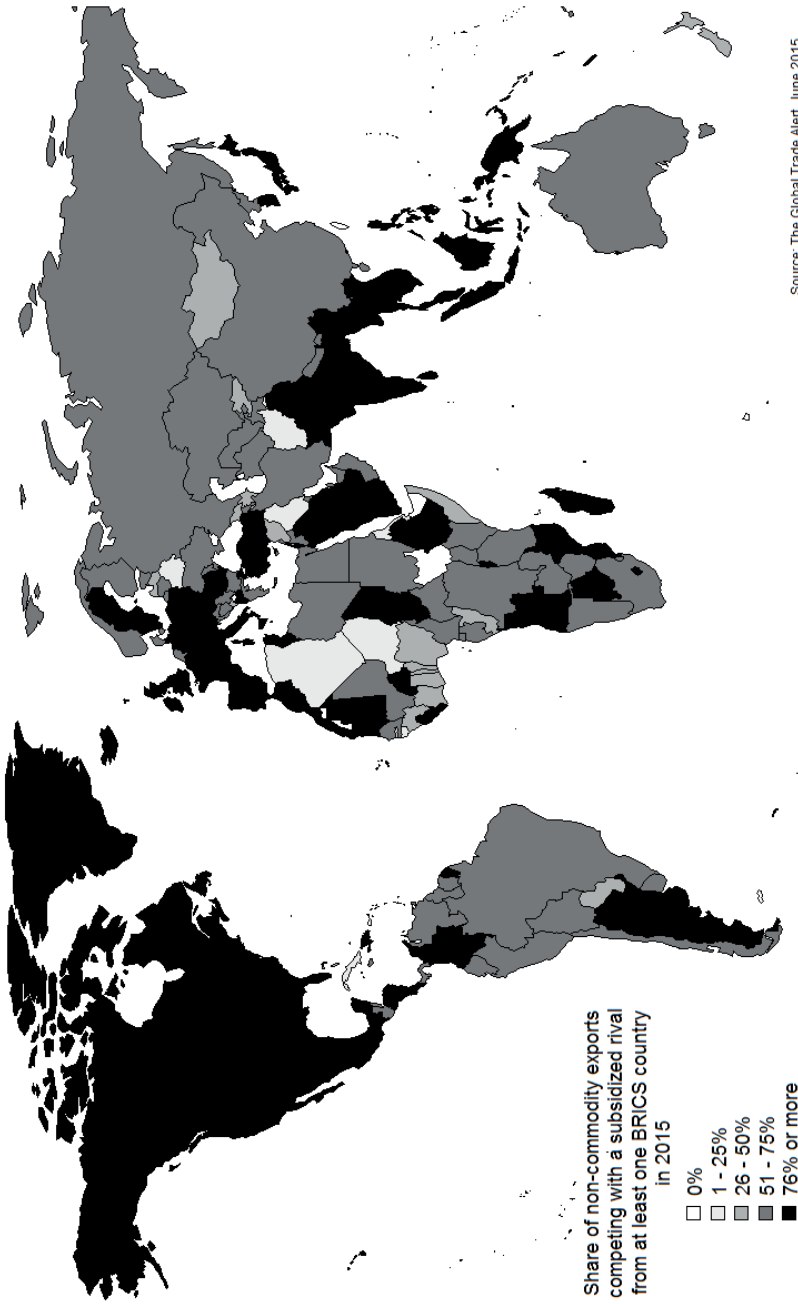
Taken together, these findings imply that there is much the BRICS could do to improve their commercial policy credentials. As the charts at the end of this chapter and the discussion in Chapter 3 make clear, while the mix of trade distortions introduced by each of the BRICS differs, the reality is that the BRICS have repeatedly discriminated against foreign commercial interests, harming not only industrial countries and each other, but also more vulnerable developing countries. That harm is done not only by import restrictions but also by the many steps taken by the BRICS to artificially lift their exports.⁵

⁵ Given how poorly Brazil's and India's exports have performed during the past four years, the question arises of how much lower the contribution of exports to economic growth would have been in these two countries in the absence of these artificial export incentives?

Map 1.1 More than the occasional hit: The global reach of BRICS trade distortions



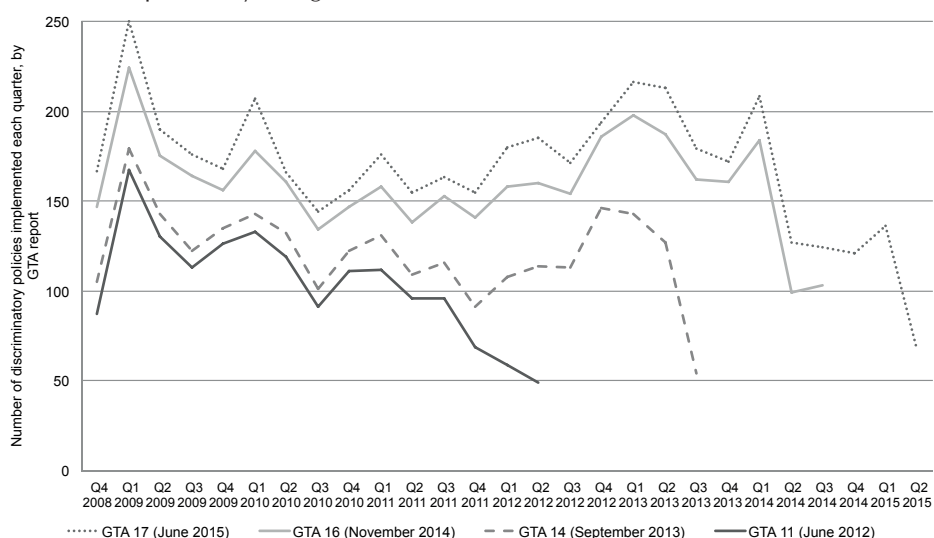
Map 1.2 Artificial export incentives by the BRICS threaten large shares of their trading partner's exports



Global context: The three phases of Crisis-era protectionism

The evolution in the BRICS' commercial policy stance should also be seen in the relevant global context. The latest update of the Global Trade Alert, which involved adding over 1,050 reports of government measures to the database over the past seven months, reinforced previous findings that there have been three phases of Crisis-era discrimination against foreign commercial interests (see Figure 1.6).

Figure 1.6 The increase in the resort to trade distortions since 2012 is worse than previously thought



The first phase involved a spike in protectionism in the first quarter of 2009 followed by declines in the quarterly totals of new harmful measures imposed through to Q3 2010. Then the rate of new protectionist measures imposed every quarter plateaued at around 160 per quarter until the end of Q4 2011.

From 2012 on, coinciding with a slowdown of world trade growth, the number of protectionist measures implemented each quarter has risen again. Given reporting lags, the quarterly totals for 2014 are likely to be revised upwards (as the results in this figure show when comparing this report with previous GTA reports). Those upward revisions would not have to be that significant to exceed 160 per quarter, suggesting that the third phase of Crisis-era protectionism may not be over.

All in all, there is little comfort for BRICS policymakers in these reported totals for the worldwide resort to discrimination against foreign commercial interests. Access to foreign markets remains at considerable risk.

The BRICS trade strategy: Time for a rethink

The exposure of BRICS commercial interests to discrimination by foreign governments revealed in this report calls for a rethink of the BRICS trade strategy. At best, the current BRICS strategy is incoherent. On the one hand, the BRICS have sought to bolster trade between themselves with more generous credit lines for exporters and the like. On the other hand, the BRICS are responsible for a third of the instances of the harm to each other's commercial interests. This cannot make sense.

The BRICS approach of turning a blind eye to protectionism undertaken by developing countries under the guise of 'special and differential treatment' is difficult to square with the propensity of the latter to take actions that harm the former's commercial interests. How many jobs in exporting industries have been lost as a result?

While any harm done by industrialised countries to the commercial interests of the BRICS should rightly be condemned, a less selective approach to tackling Crisis-era protectionism would seem to be in order. The frequency with which BRICS commercial interests are harmed by beggar-thy-neighbour interests ought to make the BRICS champions of the monitoring of protectionism by international organisations and of renewing the G20 pledge on eschewing protectionism. With their exports stalling or falling, the BRICS ought to welcome any steps to roll back protectionism.

Organisation of this report

The remainder of this report is organised as follows. Following this chapter, the trade policy stance of the BRICS – both in terms of discrimination and liberalising policy – is summarised in a series of spiral diagrams and maps. These diagrams have been deliberately designed to facilitate comparison across the BRICS and across the trading partners of each BRICS member.

Part Two of the report contains three chapters. A summary of government interventions worldwide, both liberalising and discriminatory, is presented in Chapter 2. Chapter 3 discusses the commercial policy stance of the BRICS in more detail. The exposure of the Least Developed Countries to artificial Crisis-era export incentives imposed by the BRICS is discussed in Section 4.

Further summary statistics on the change in policies implemented by the BRICS that affect the relative treatment of foreign commercial interests are presented in Part Three of this report. Corresponding statistics of the frequency of harm done to and of benefits to the commercial interests of the BRICS by their trading partners are also reported here.

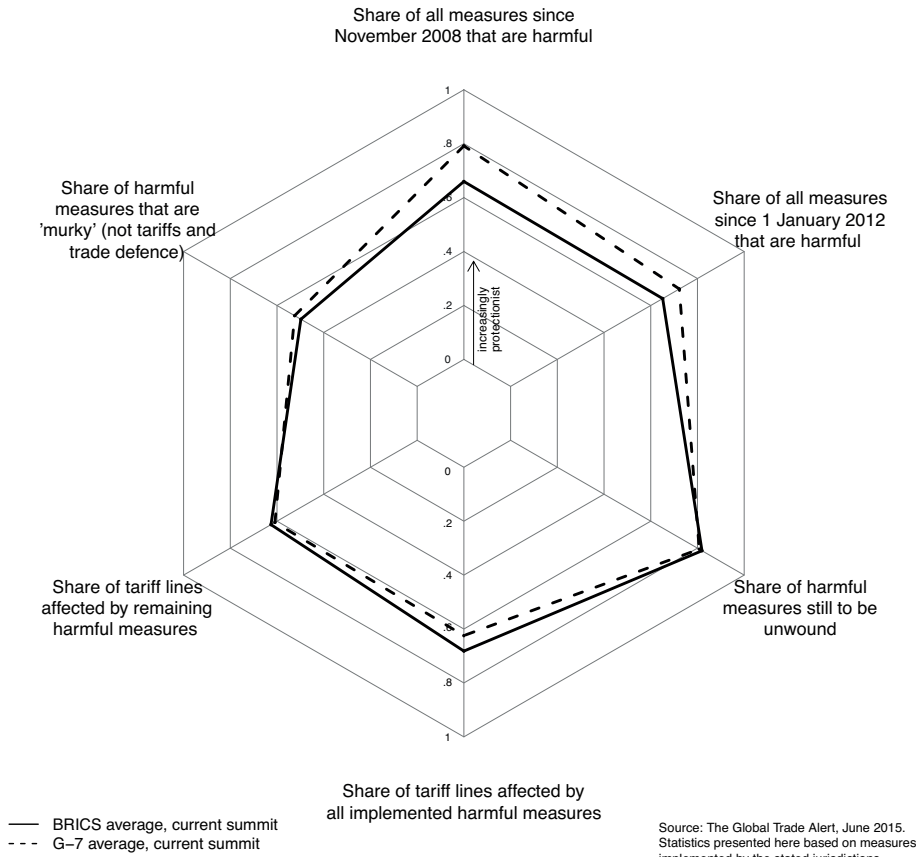
Reference

OECD (2015), "International trade slows sharply in first quarter of 2015", 28 May (available at <http://www.oecd.org/std/its/OECD-Trade-Q12015.pdf>).

PART ONE

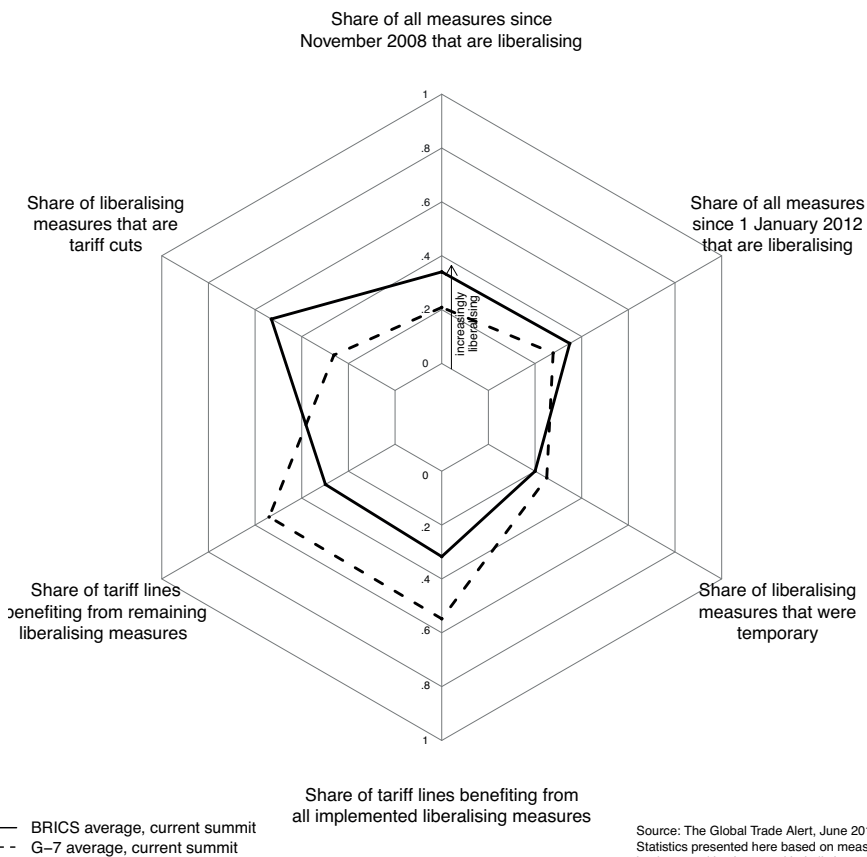
Benchmarking the BRICS' resort to protectionism and trade liberalisation

BRICS versus G7: Resort to discrimination



Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

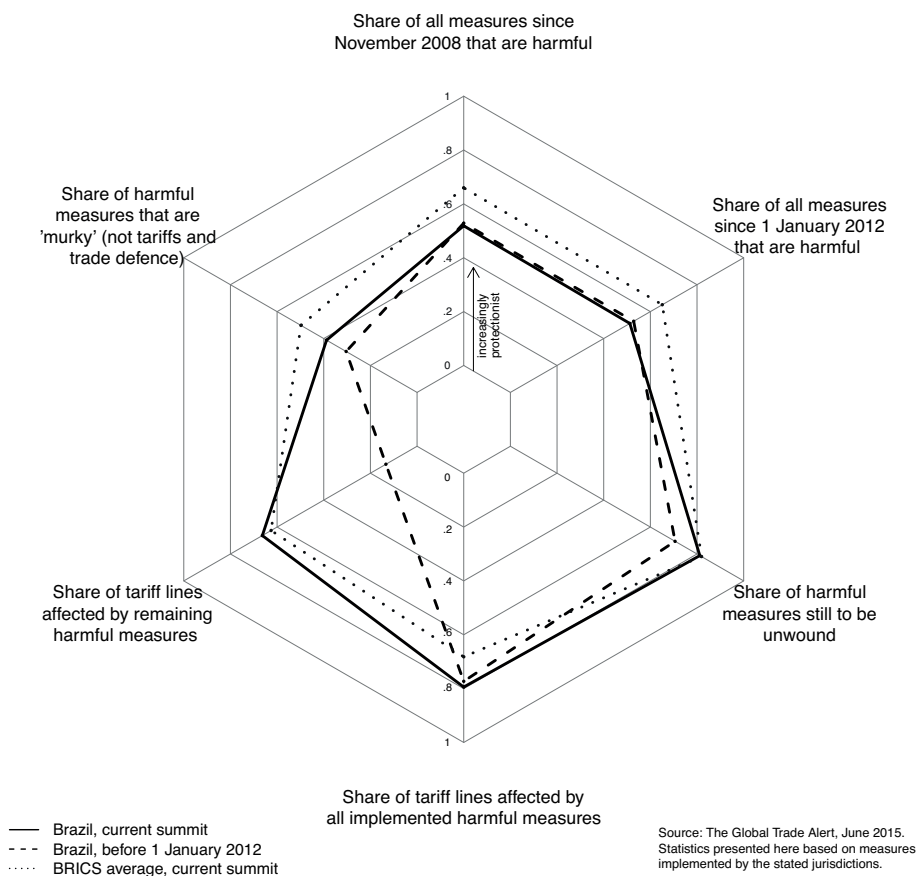
BRICS versus G7: Resort to liberalisation



BRICS versus G7

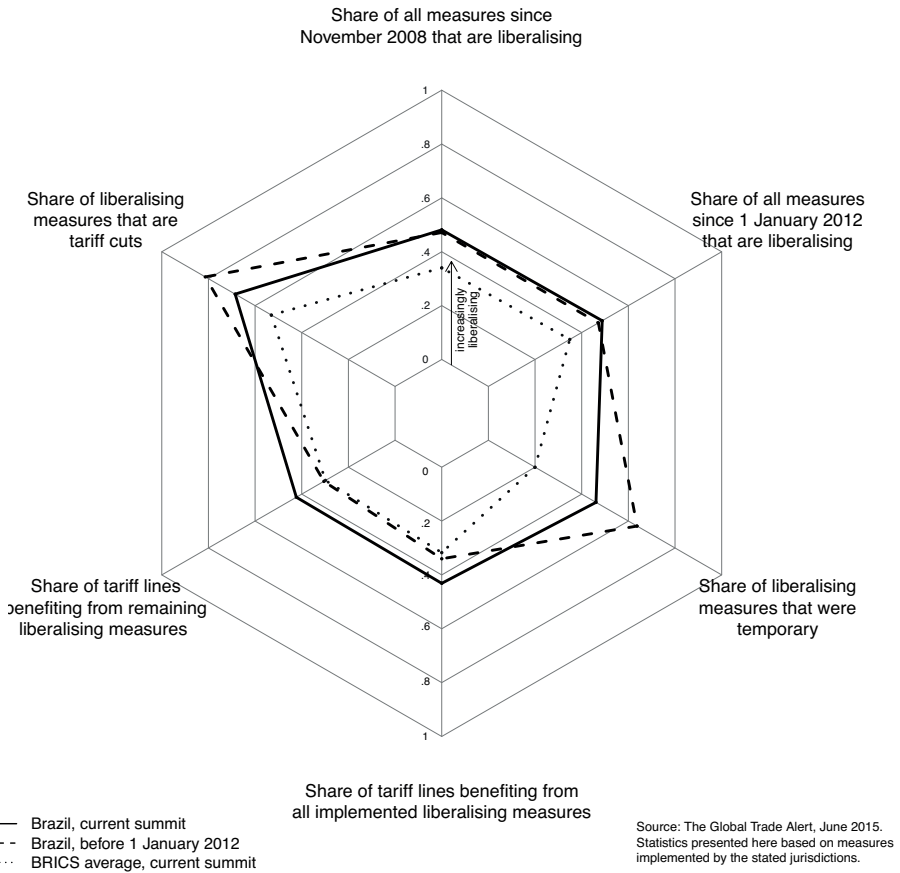
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

Brazil: Resort to discrimination



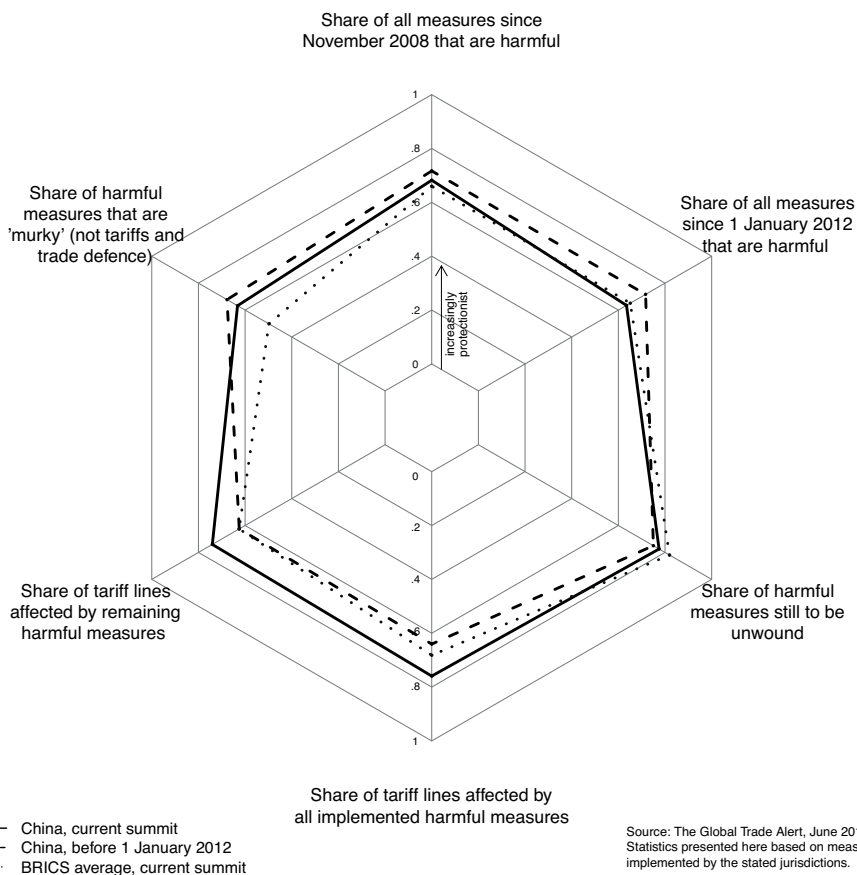
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Brazil: Resort to liberalisation



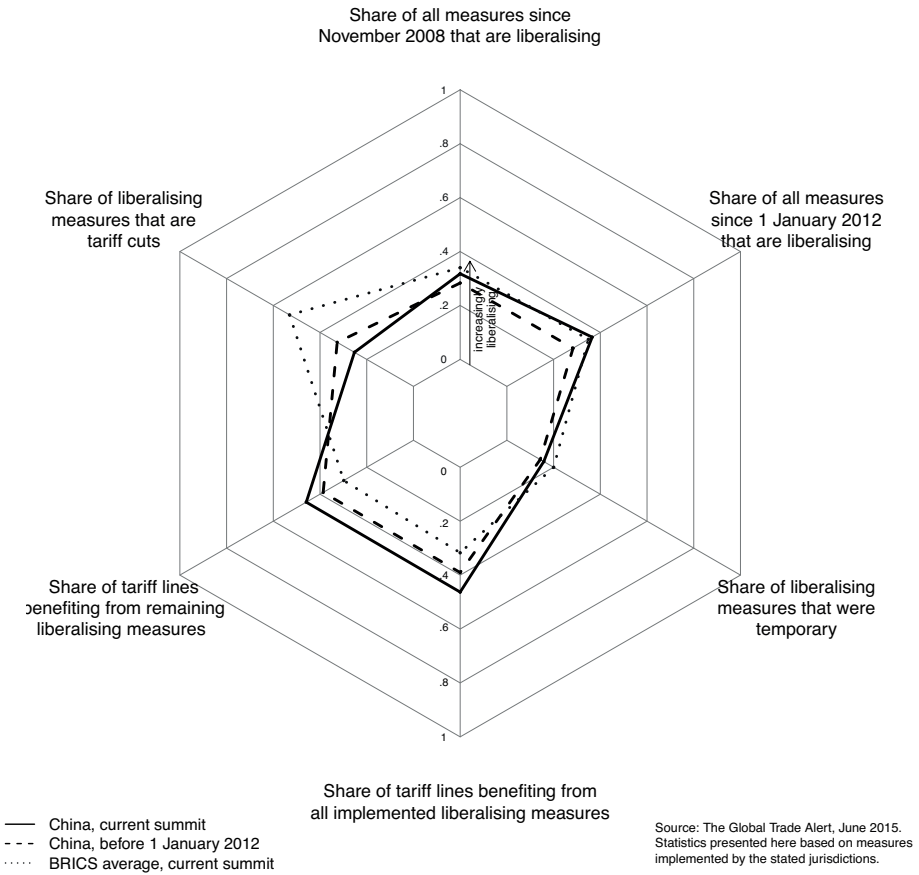
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

China: Resort to discrimination



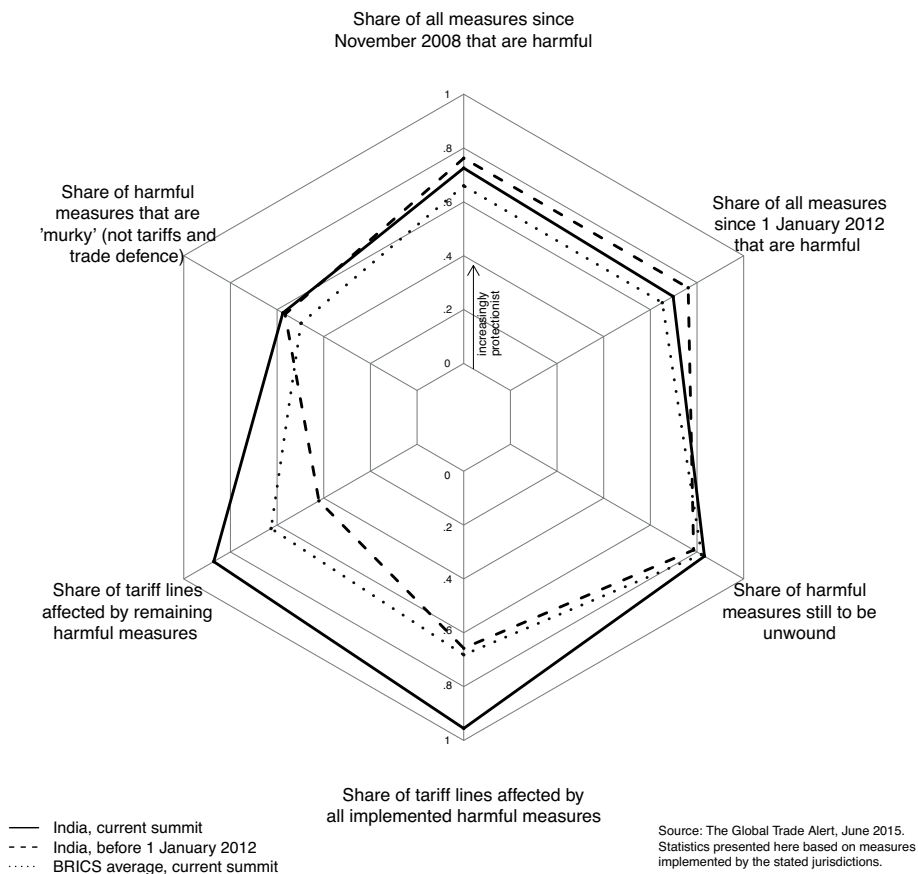
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

China: Resort to liberalisation



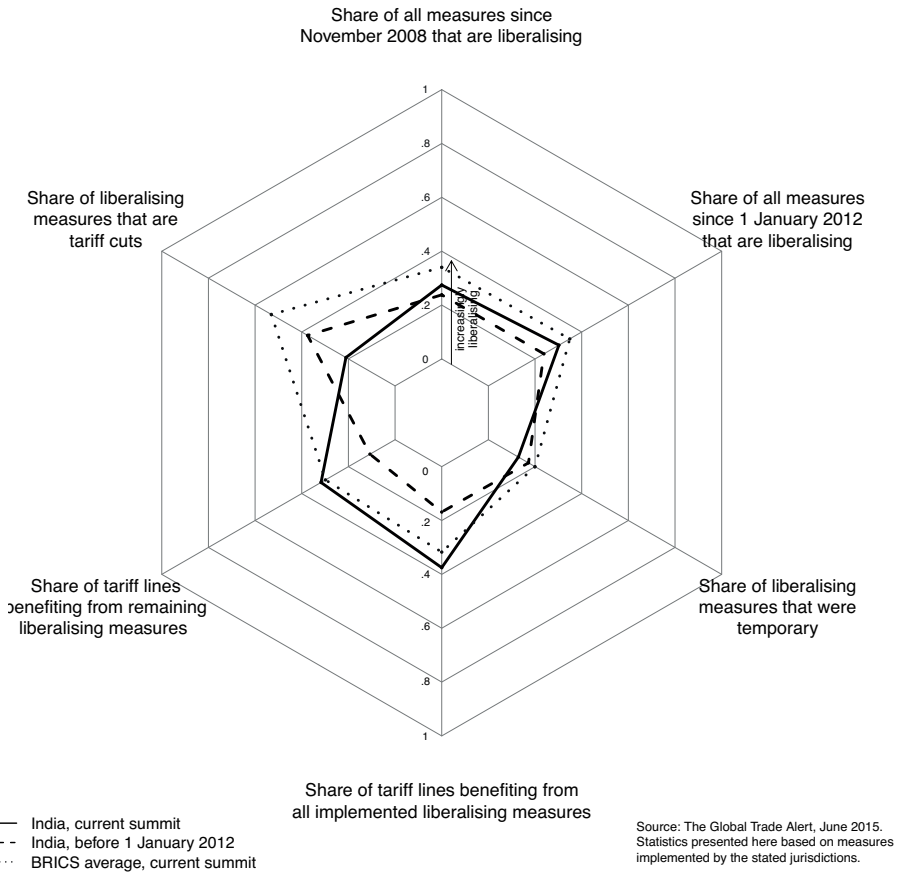
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

India: Resort to discrimination



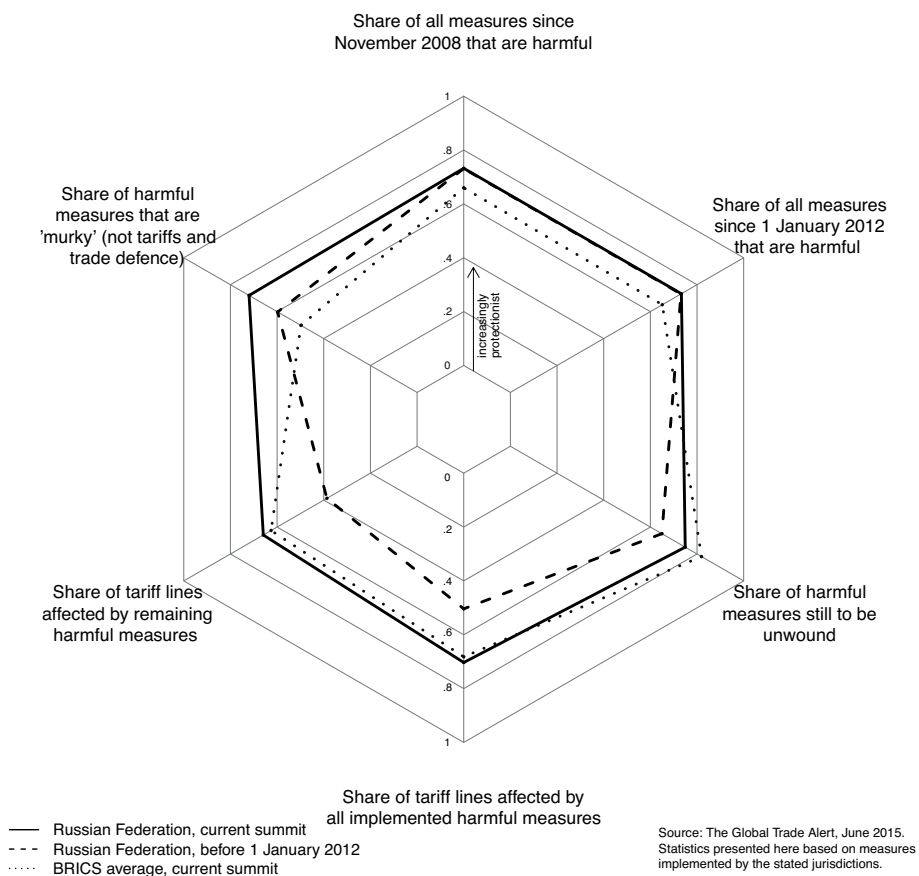
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

India: Resort to liberalisation



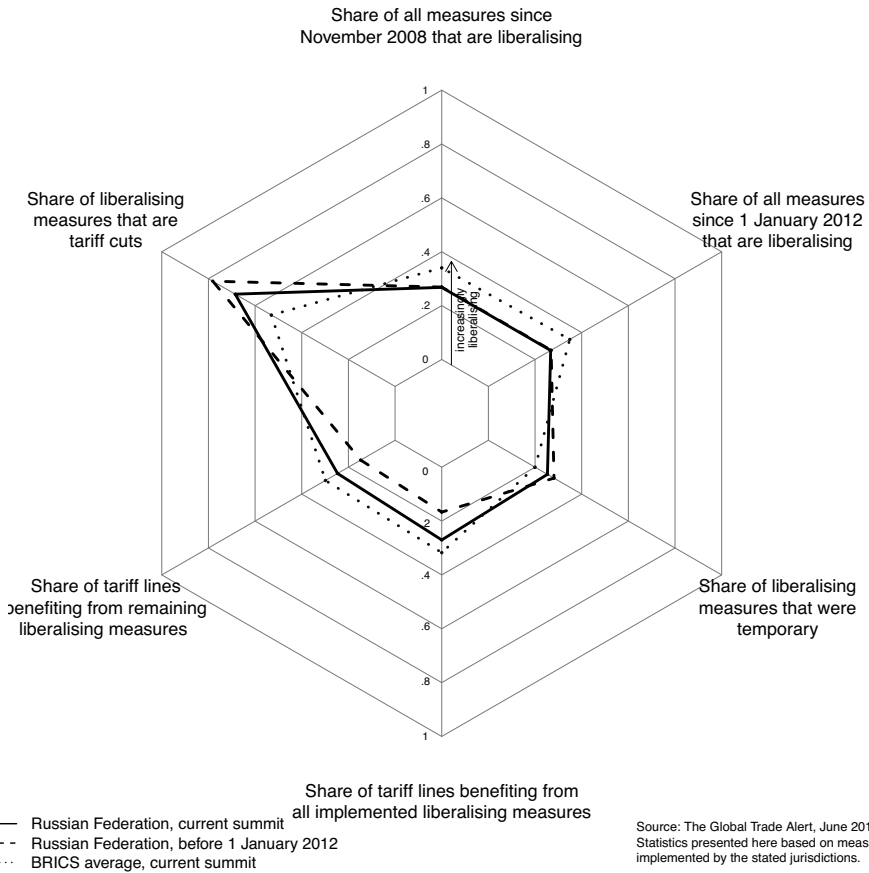
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

Russian Federation: Resort to discrimination



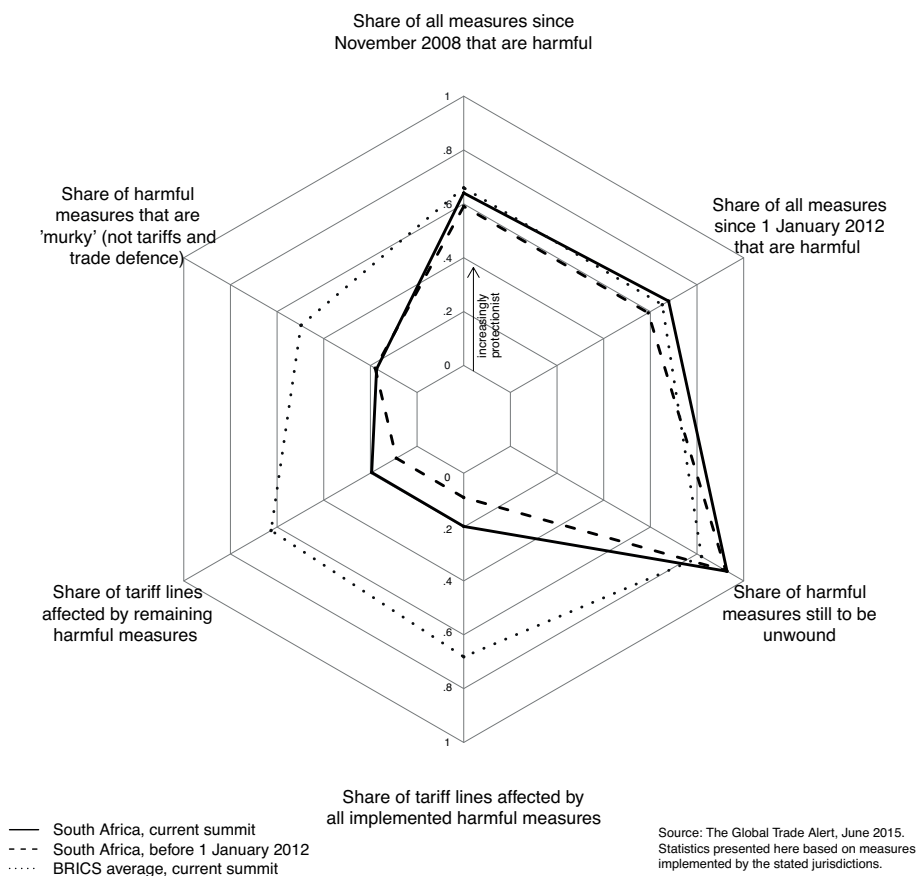
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

Russian Federation: Resort to liberalisation



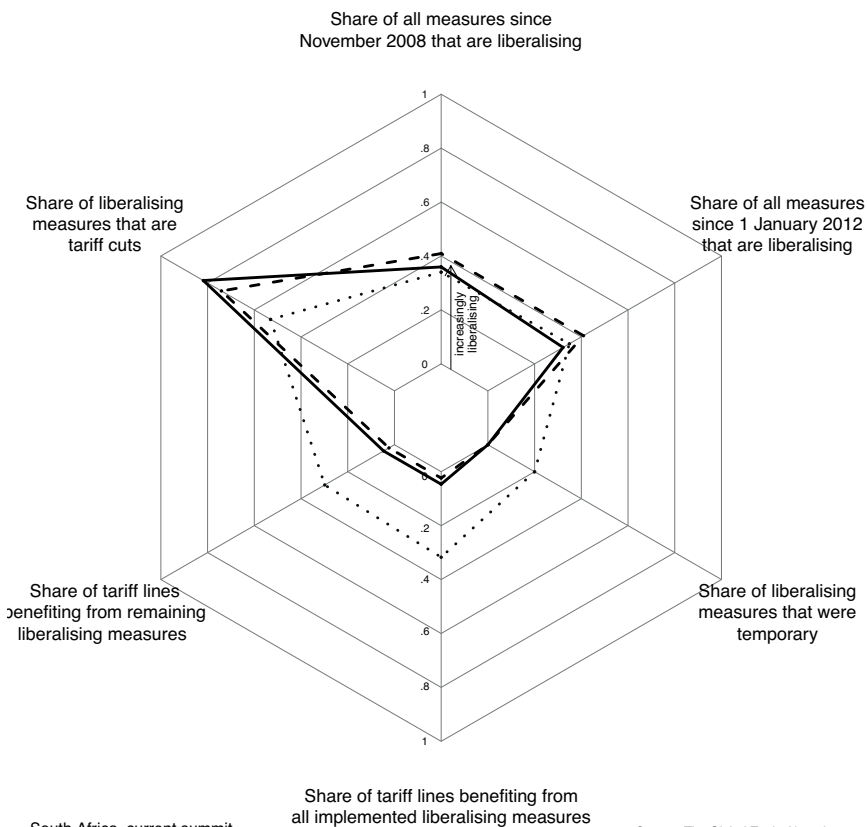
Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

South Africa: Resort to discrimination



Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

South Africa: Resort to liberalisation



- South Africa, current summit
- - - South Africa, before 1 January 2012
- BRICS average, current summit

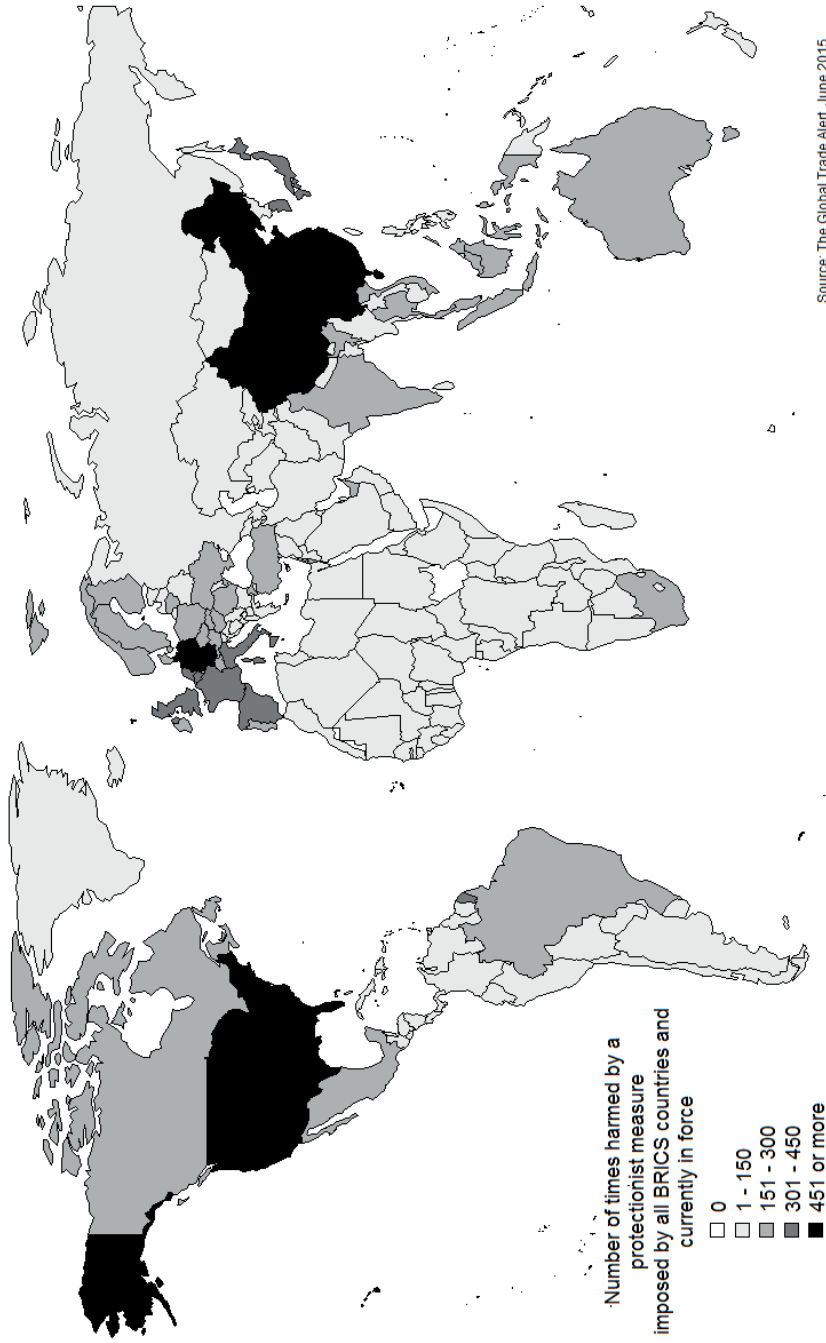
Source: The Global Trade Alert, June 2015. Statistics presented here based on measures implemented by the stated jurisdictions.

SOUTH AFRICA

Notes: Associated with each of the six criteria employed here is a score that lies between zero and one, with higher scores reflecting larger deviations from open borders

Maps of the countries harmed by each BRICS nation

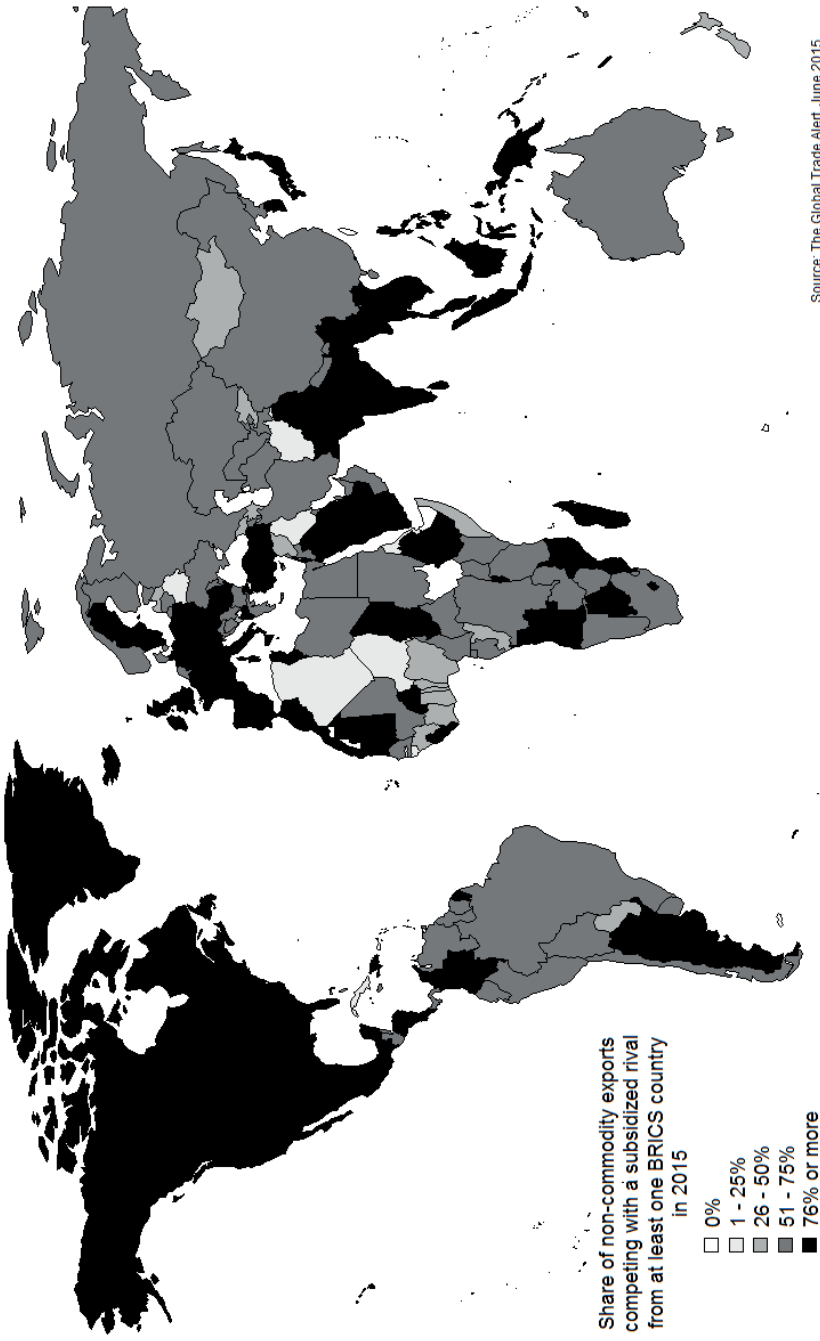
Map 1 BRICS: Worldwide incidence of harm done by all BRICS members' discriminatory measures



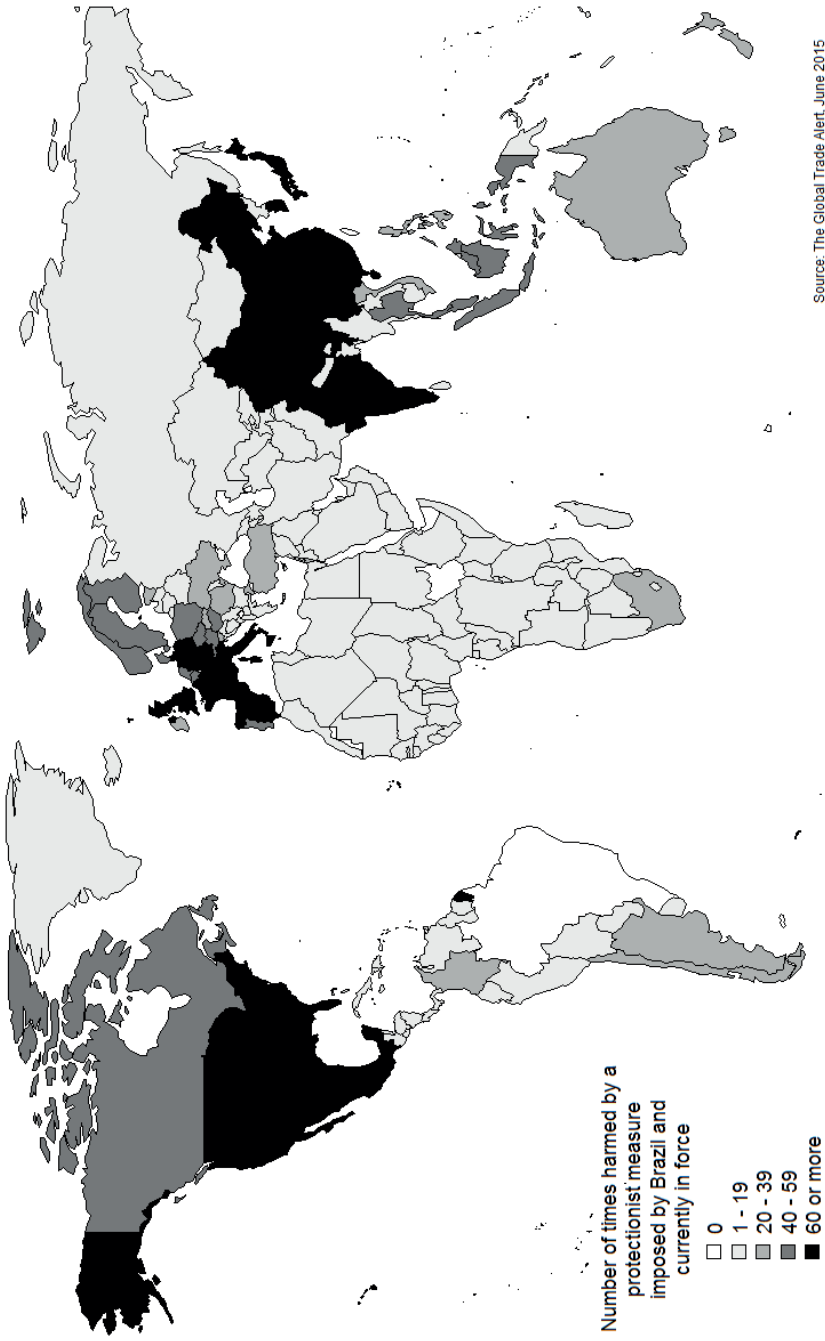
Source: The Global Trade Alert, June 2015

BRICS

Map 2 BRICS: Share of non-commodity exports competing with a subsidised rival from at least one BRICS country in 2015



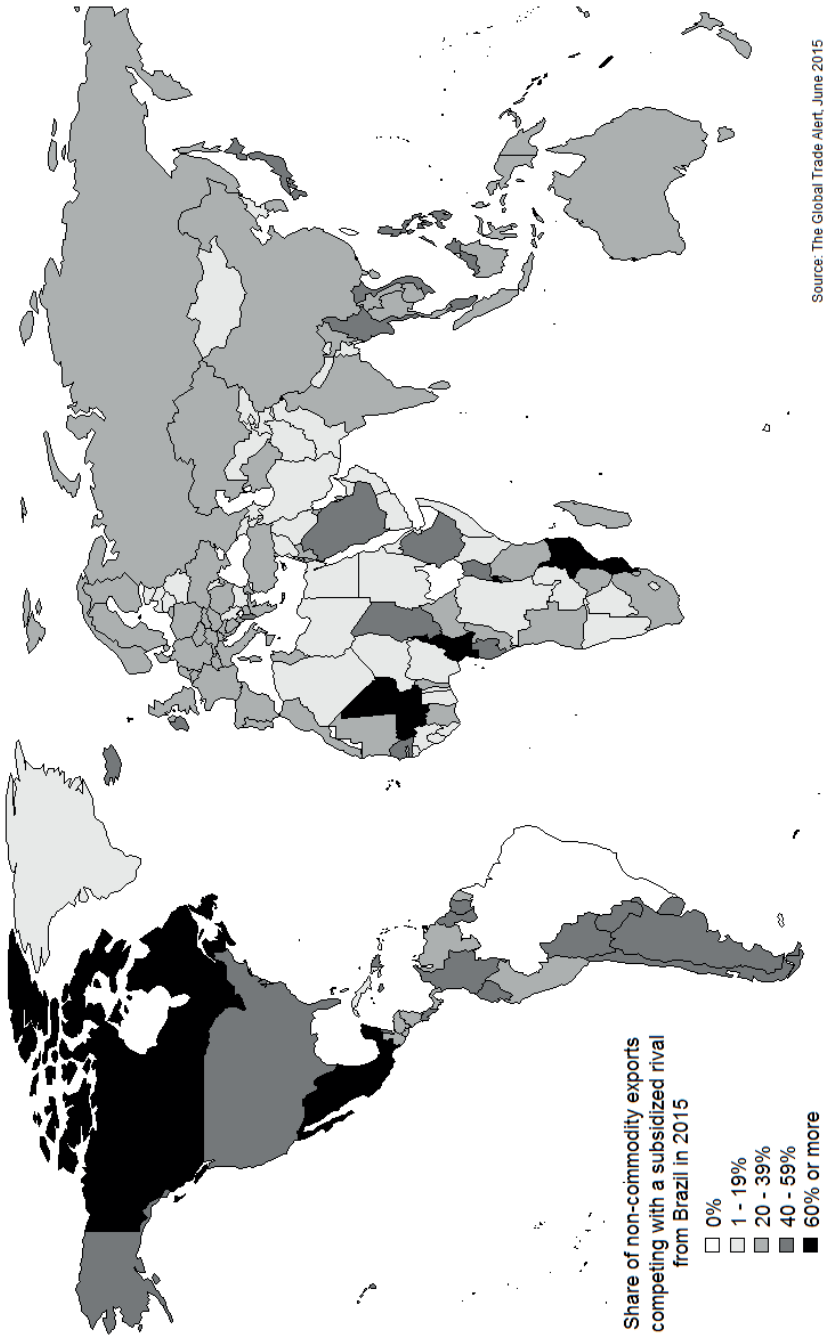
Map 3 Brazil: Worldwide incidence of harm done by this BRICS country's discriminatory measures



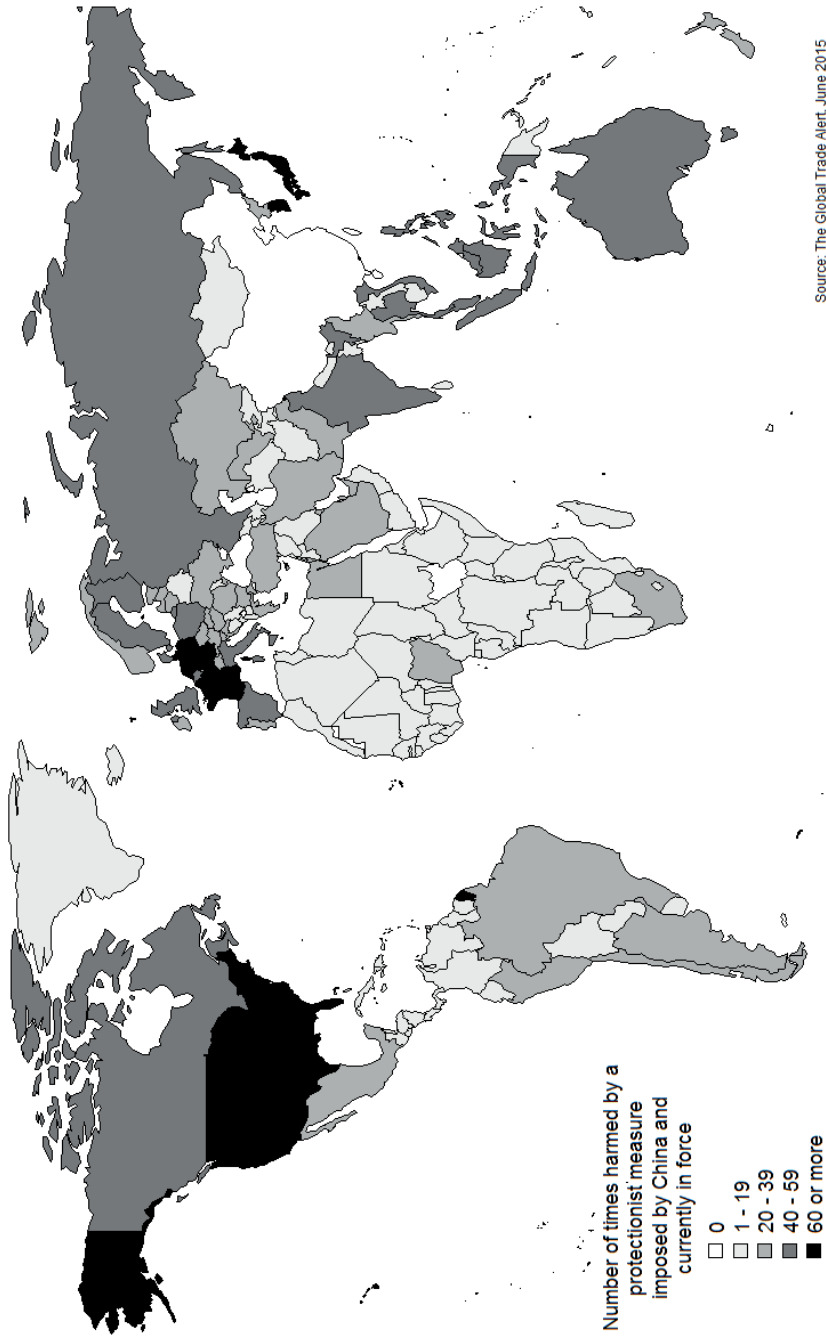
BRAZIL

BRAZIL

Map 4 Brazil: Share of non-commodity exports competing with a subsidised rival from this BRICS country in 2015



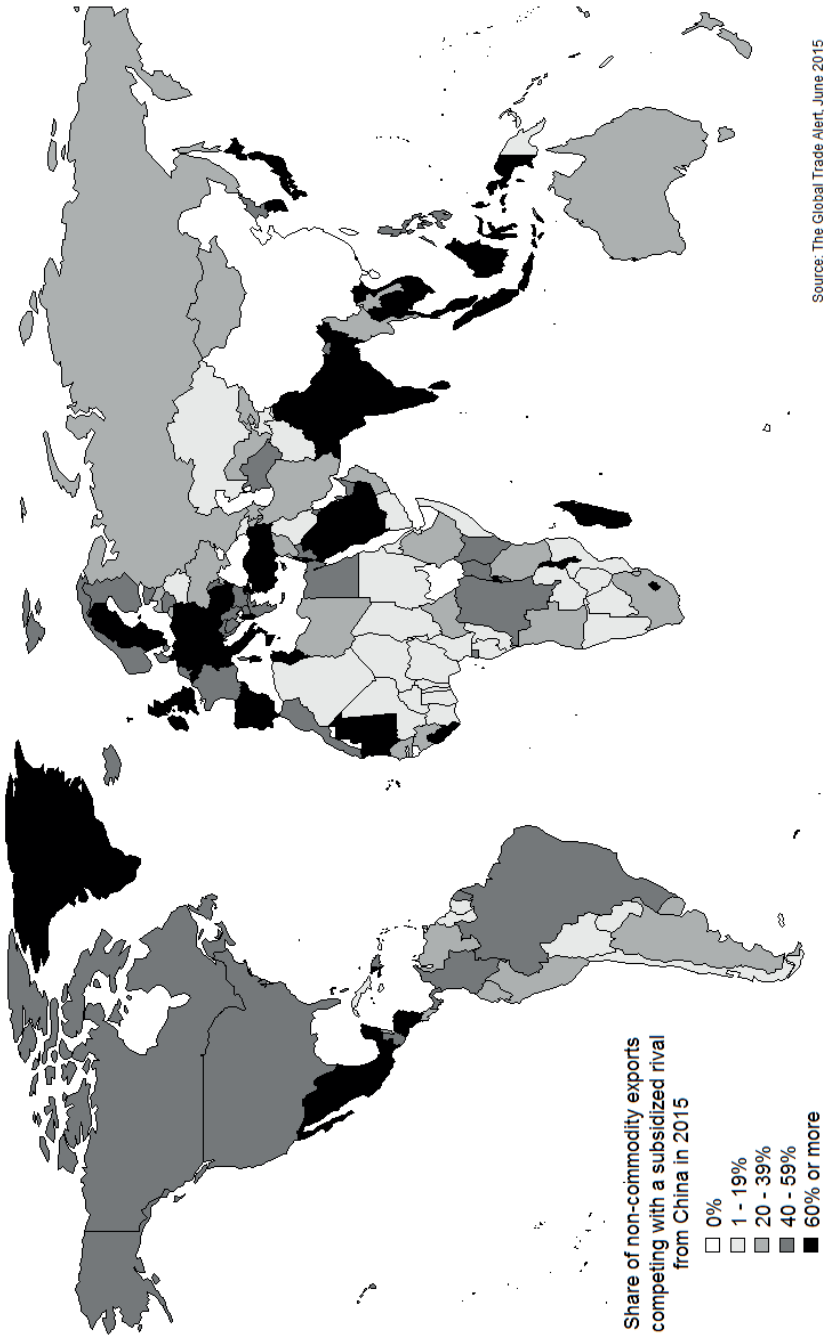
Map 5 China: Worldwide incidence of harm done by this BRICS country's discriminatory measures



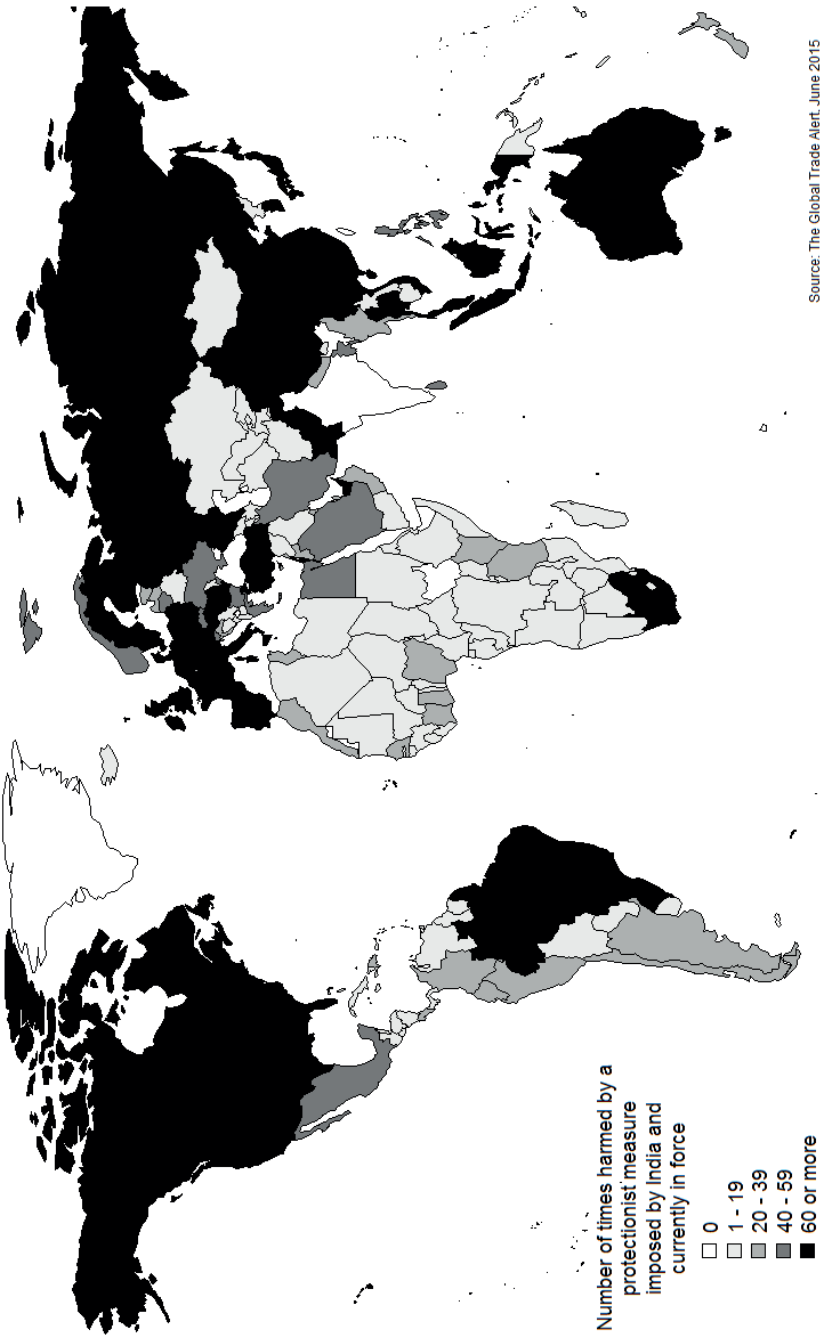
CHINA

CHINA

Map 6 China: Share of non-commodity exports competing with a subsidised rival from this BRICS country in 2015

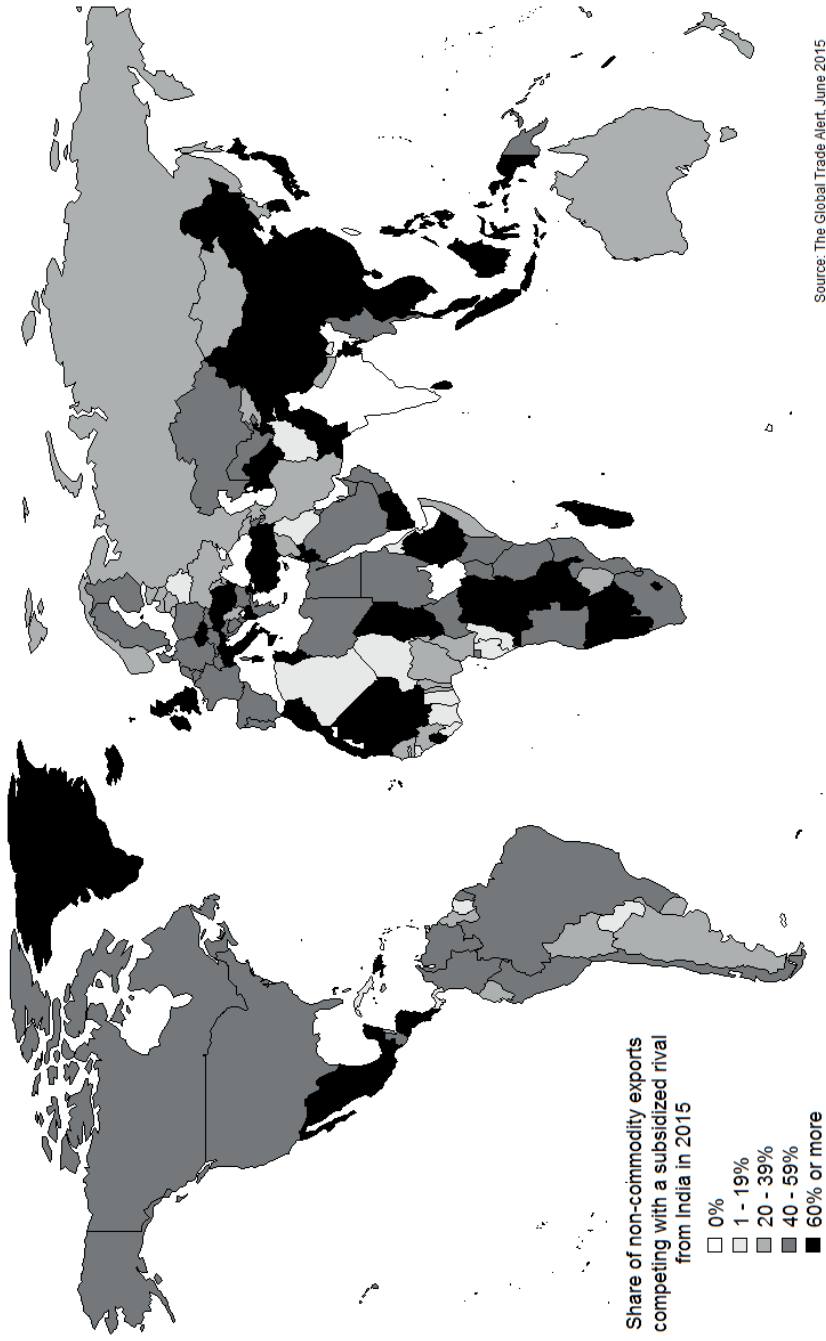


Map 7 India: Worldwide incidence of harm done by this BRICS country's discriminatory measures

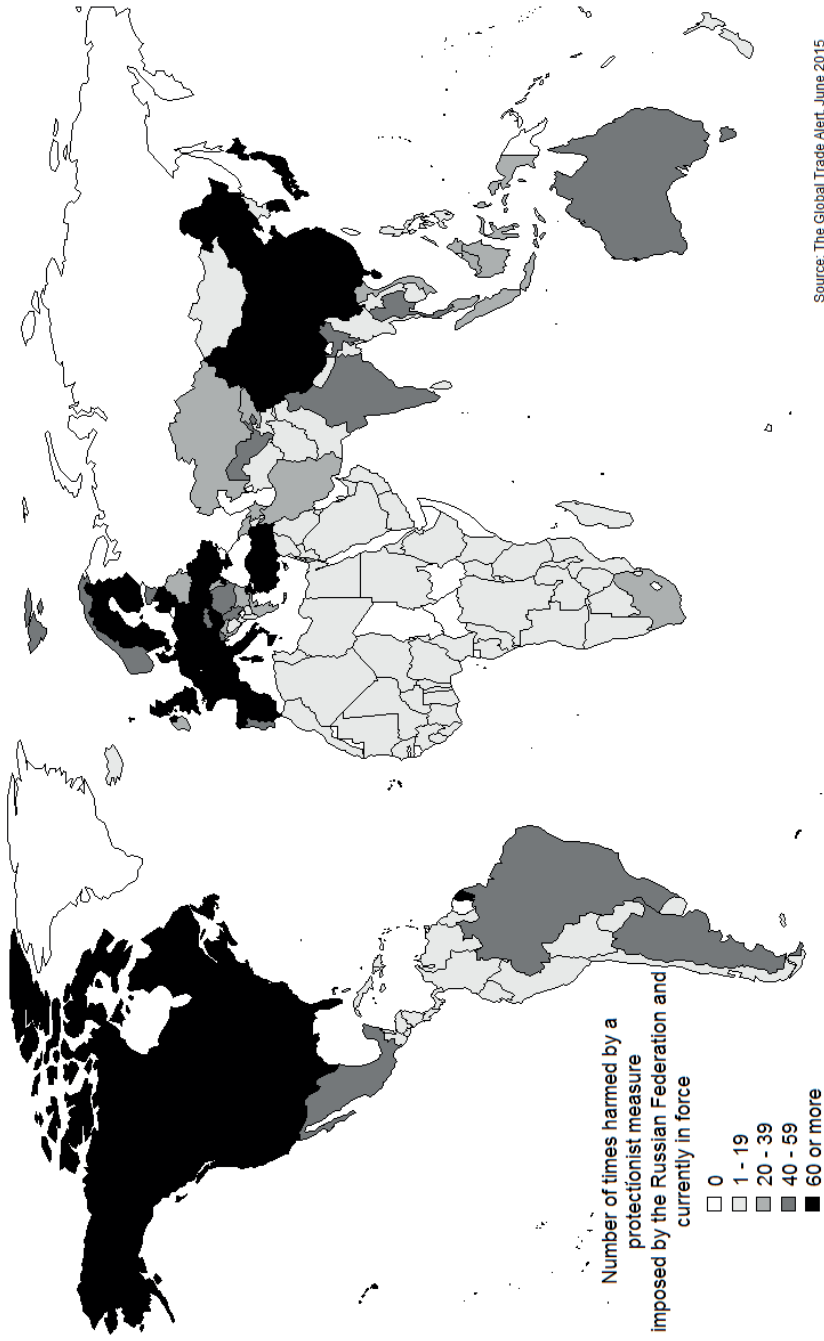


INDIA

Map 8 India: Share of non-commodity exports competing with a subsidised rival from this BRICS country in 2015



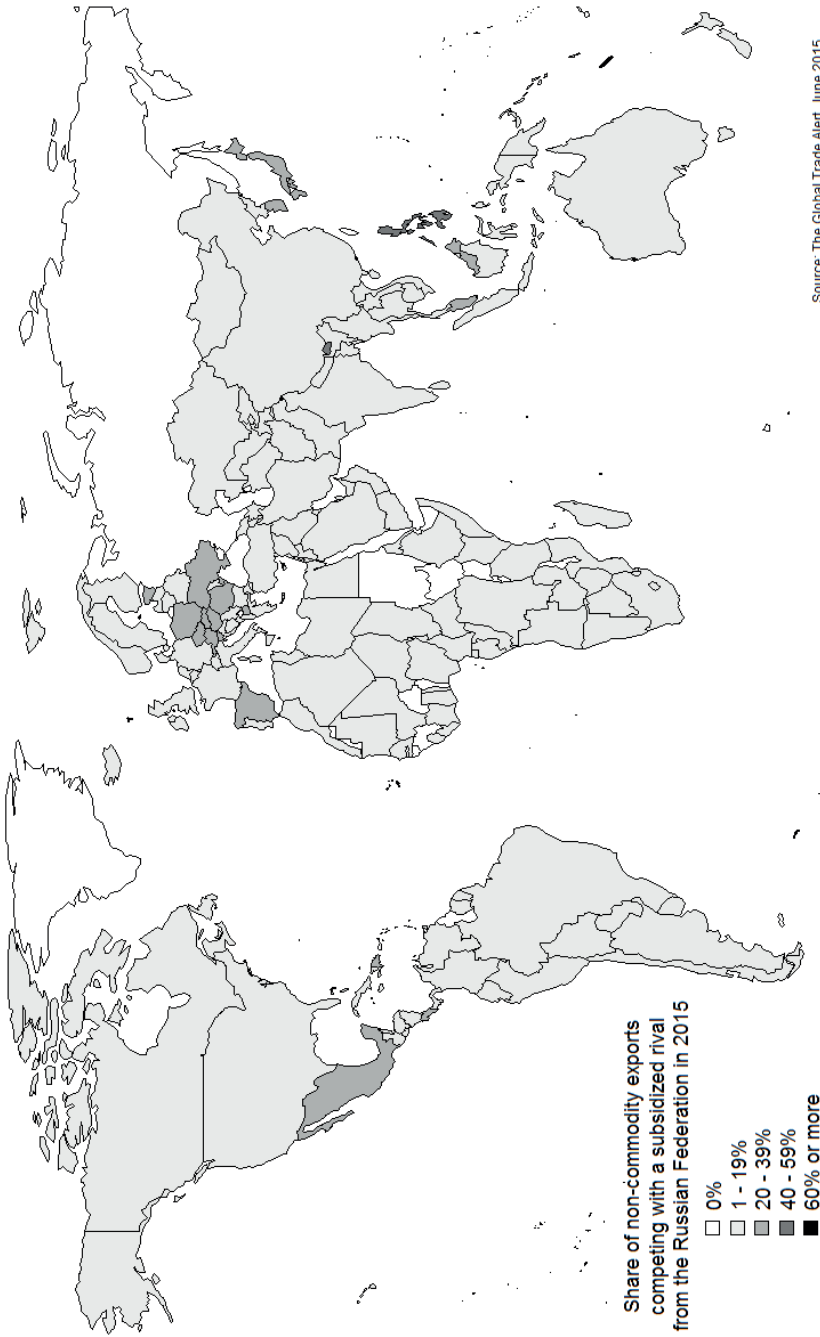
Map 9 Russia: Worldwide incidence of harm done by this BRICS country's discriminatory measures



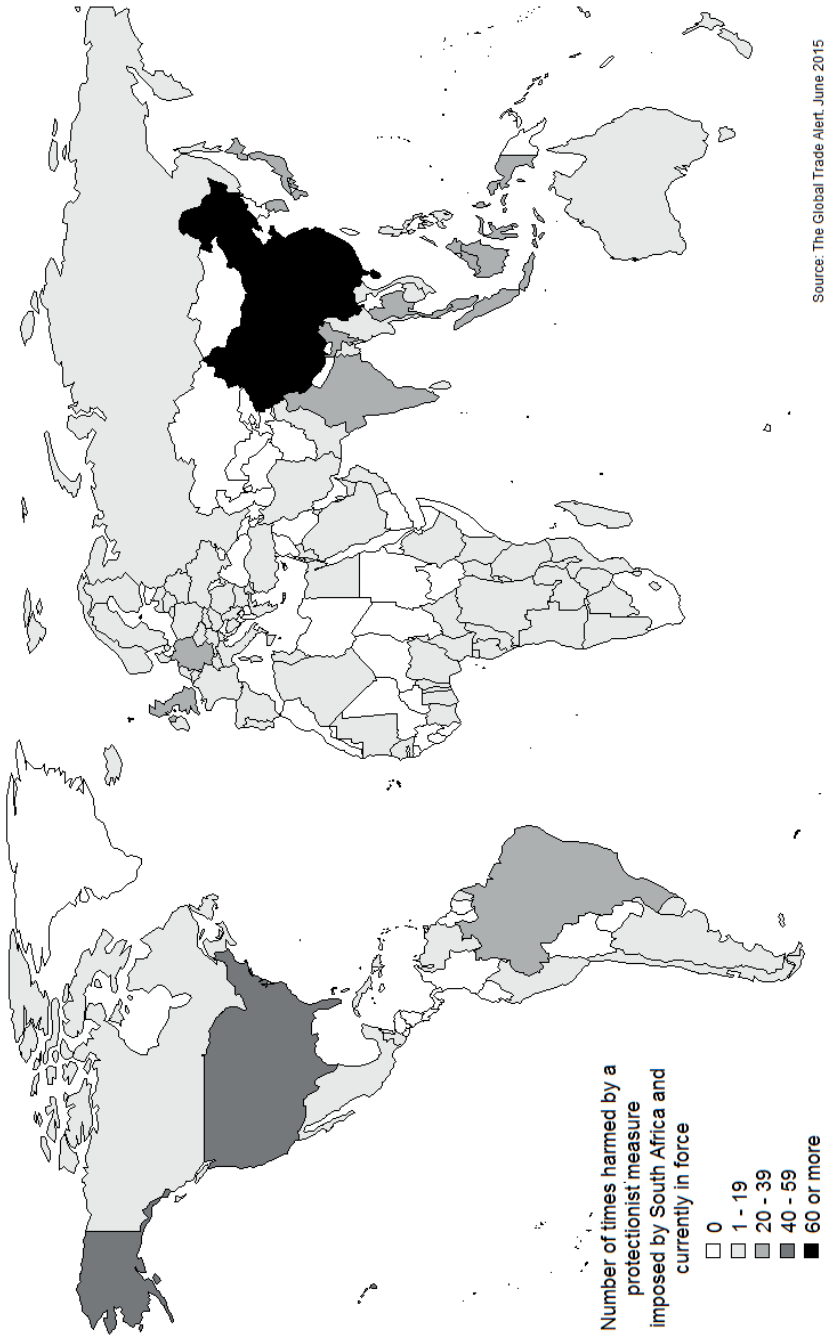
RUSSIAN FEDERATION

RUSSIAN FEDERATION

Map 10 Russia: Share of non-commodity exports competing with a subsidized rival from this BRICS country in 2015



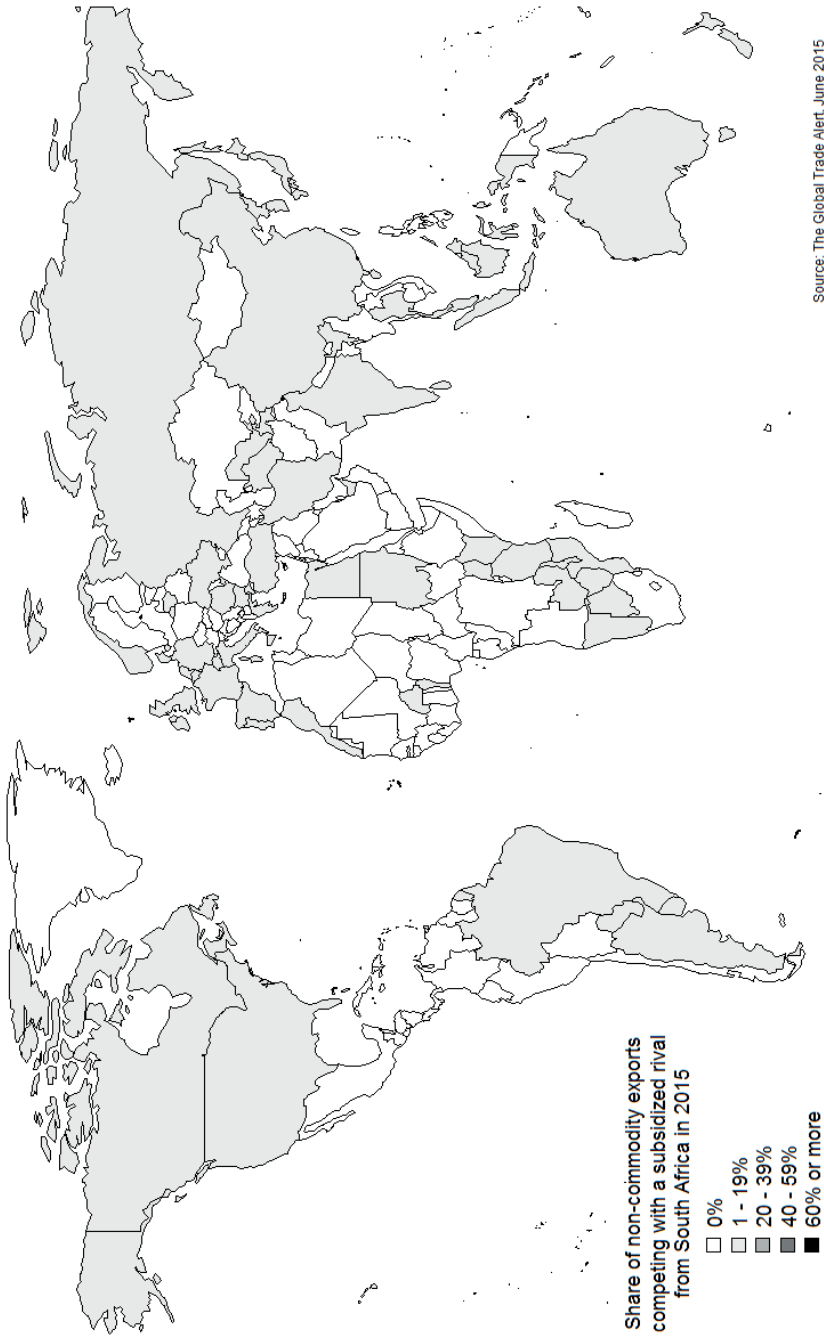
Map 11 South Africa: Worldwide incidence of harm done by this BRICS country's discriminatory measures



SOUTH AFRICA

SOUTH AFRICA

Map 12 South Africa: Share of non-commodity exports competing with a subsidized rival from this BRICS country in 2015



PART TWO

BRICS commercial policy choices and global developments

2 The Global Landscape of Protectionism

Although the focus of this report is on the BRICS, their policy choices may well have been conditioned by global developments in commercial policy. The purpose of this chapter is to summarise key developments at the global level that have become apparent since our last report was published in November 2014. Since then, 1,066 new entries have been added to the Global Trade Alert (GTA) database (Table 2.1), sustaining the expansion of the database achieved in recent years (of approximately 1,000 new measures being documented every six months.)

Principal changes to the global totals reported hitherto

There have been no major changes in the manner in which announced policy changes were identified, investigated, and evaluated by the Global Trade Alert team. Therefore, readers interested in the processes used by the Global Trade Alert are referred to the discussions in previous reports or, for the most recent account of these practices, to Chapter 3 of Evenett and Fritz (2015).

Compared to the last GTA report (the 16th report), the principal changes in the GTA database include the following:

- The addition of 1,066 reports on announced government policy changes, 882 of which refer to policy changes other than trade defence measures (Table 2.1).
- The documentation of 608 additional measures that discriminate against foreign commercial interests (Table 2.1).
- Of the 1,066 new reports in the database, 912 refer to government actions that have been implemented. Of the latter, 288 were measures that improved the relative treatment of foreign commercial interests vis-à-vis domestic rivals, the rest were discriminatory (Table 2.2).
- A total of 335 new measures implemented by the BRICS countries were documented, 215 of which discriminated against foreign commercial interests (Table 2.3).
- A total of 4,709 measures that were implemented worldwide remain in force, of which 3,554 discriminate against foreign commercial interests. The ratio of the number of discriminatory to liberalising measures still in force exceeds 3 to 1 (Table 2.4).

- The expansion of the GTA database has resulted in many of the large trading nations having 200 or more hits to their commercial interests since the onset of the global economic crisis. The top 10 most affected jurisdictions listed in Table 2.5 have all been hit over 1,000 times.
- With the expansion of the database, China has moved into the top ten jurisdictions that have resorted to protectionism most often (at 8th position.) The United States has moved up to 4th position (second column of Table 2.6).
- Likewise, export subsidies have moved into the list of top ten most frequently used forms of discrimination against foreign commercial interests (at 8th position). Since November 2008, 58 jurisdictions have resorted to such measures (see Table 2.7).
- Over 100 more instances where trade defence measures or import safeguard duties were imposed upon foreign firms have been recorded since the last report was published (Table 2.8).
- The update undertaken for this report has resulted in sizeable increases in the number of discriminatory measures found in Q1 2009, Q1 2010, Q2 2013, and throughout 2014 (Figure 2.1).

Key features of the global landscape of protectionism

In terms of variation in the resort to protectionism over time, as noted in the Executive Summary, there have been three phases during the crisis era (see Figures 1.6 and 2.1). A surge in protectionism in Q1 2009 was witnessed when 250 harmful measures were introduced, followed by falling quarterly totals in the resort to *new* protectionism through to Q3 2010. Then, as the global economy stabilised and began to recover, the number of new protectionist measures imposed stabilised at around 160 measures per quarter.

This second phase ended at the beginning of 2012, when global economic growth began to stall and the number of new protectionist measures implemented began to rise, exceeding 200 new measures per quarter in the first half of 2013. The total number of new protectionist measures being found since then has been revised upwards repeatedly. Only in the most recent quarters, which are subject to greater reporting lags, are the quarterly totals below 160, the plateau associated with the second phase. Should the relationship between global economic growth rates and the quarterly resort to protectionism continue in the fashion seen to date, then one should expect considerable upward revisions in the totals for 2014 and 2015.

The data provided in Table 2.1 and in Figure 2.1 reveal the degree to which crisis-era policy changes, whether liberalising or discriminatory, were temporary or remain in force. Between 30-50% of the protectionism imposed during the four quarters of 2009 has now lapsed. Since November 2008, 26% of the liberalising measures have now lapsed. In contrast, only 21% of all discriminatory measures

no longer remain in force. Unwinding reforms occurs faster than removing protectionism.

In terms of variation in the use of policies to discriminate against foreign commercial interests, Figure 2.2 demonstrates that trade defence measures were the most popular tool, followed by bailouts and state aid measures.¹ Tariff increases were the third most popular tool, in terms of counts of the numbers of measures. However, such counts may not afford an accurate sense of the geographic reach and commercial impact of different forms of protectionism.

In terms of trading partners affected, as shown in Table 2.7, implemented trade defence measures affected the commerce of 150 jurisdictions. In contrast, trade-distorting bailouts of domestic firms, trade finance measures, and other export subsidies and incentives have harmed commercial interests in 215 or more jurisdictions. Certain border barriers – specifically, tariff increases and export taxes and restrictions – and a wave of local content requirements have adversely affected the commerce of over 200 jurisdictions.

In terms of the amount of trade affected, global totals were not calculated for this report. However, in Evenett and Fritz (2015) and in two memoranda recently prepared on the basis of GTA data, a clear pattern has begun to emerge. The amount of trade affected by trade defence measures is frequently less than 1% and in all calculations to date, less than 2% of possibly affected exports. Tariff increases, local content requirements, and public procurement measures affect more trade than trade defence, although by how much has varied.

Imports of products into nations where a local firm has been bailed out tends to be the second largest category of trade affected. Finally, by a wide margin, exports to third markets that compete against a subsidised foreign rival account in the computations performed to date for the largest amount of trade affected.² This latter result is consistent with a finding mentioned in earlier Global Trade Alert reports, namely, that the current era has been associated with a shift in discrimination towards policy instruments that are less transparent than tariffs and subject to less strict multilateral trade disciplines.

Reference

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

1 Only 18% of these bailouts refer to the financial sector.

2 For the scale of the exports of Least Developed Countries that compete in third markets with foreign rivals that benefit from state-provided export incentives see Table 4.1 and Figure 4.1 in the next chapter.

Table 2.1 Total number of state measures reported in the GTA database

Statistic	This report (June 2015)		Increase from previous report (November 2014)	
	Total	Total except trade defence and safeguard measures	Total	Total except trade defence and safeguard measures
Total number of measures in GTA database	6849	5243	1066	882
Total number of measures coded green	1642	1633	296	296
of which currently in force	1155	1146	197	197
of which are pending	74	74	141	141
of which no longer in force	413	413	92	92
Total number of measures coded amber	1185	754	239	135
of which currently in force	398	391	79	79
of which are pending	690	268	1229	488
of which no longer in force	97	95	19	18
Total number of measures coded red	4020	2855	529	450
of which currently in force	3156	2180	426	356
pending implementation	3	3	3	3
of which no longer in force	861	672	100	91

Table 2.2 Measures implemented since the first crisis related G20 summit in November 2008, totals for all Jurisdictions and change since the report in November 2014

Statistic	This report (June 2015)			Increase from previous report (November 2014)	
	Total	Total except trade defence and safeguard measures	Total defence and safeguard measures	Total	Total except trade defence and safeguard measures
Total number of measures in GTA database	6078	4895	912	832	
Total number of measures coded green	1567	1558	288	288	
Total number of measures coded amber	494	485	98	97	
Total number of measures coded red	4017	2852	526	447	
Total number of 4-digit tariff lines affected by almost certainly discriminatory measures	1220	1220	3	4	
Total number of 2-digit sectors affected by almost certainly discriminatory measures	69	69	0	0	
Total number of jurisdictions affected by almost certainly discriminatory measures	226	226	4	4	

Table 2.3 Measures implemented by BRICS countries since the first crisis related G20 summit in November 2008, totals for all BRICS countries and change since the report in November 2014

Statistic	This report (June 2015)		Increase from previous report (November 2014)	
	Total	Total except trade defence and safeguard measures	Total	Total except trade defence and safeguard measures
Total number of measures in GTA database	2167	1796	335	325
Total number of measures coded green	717	711	120	120
Total number of measures coded amber	163	159	29	29
Total number of measures coded red	1287	926	186	176
Total Number of 4-digit tariff lines affected by almost certainly discriminatory measures	1202	1202	19	21
Total Number of 2-digit sectors affected by almost certainly discriminatory measures	65	65	2	2
Total number of jurisdictions affected by almost certainly discriminatory measures	218	217	5	5

Table 2.4 Measures implemented since the first crisis-related G20 summit in November 2008 that are still in force

Statistic	World		BRICS only	
	Total	Total except trade defence and safeguard measures	Total	Total except trade defence and safeguard measures
Total number of measures in GTA database	4709	3717	1691	1388
Total number of measures coded green	1155	1146	531	525
Total number of measures coded amber	398	391	134	131
Total number of measures coded red	3156	2180	1026	732

Table 2.5 Top 10 biggest targets of protectionist measures taken since November 2008

	Number of discriminatory measures imposed on target since November 2008		Number of discriminatory measures on target and still in force		Number of trading partners imposing discriminatory measures		Number of pending measures, which if implemented would harm target too	
	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)
1 China	2153	311	1745	246	101	3	312	3
2 EU-28	1995	330	1506	250	115	4	590	4
3 United States of America	1582	256	1186	179	101	5	142	3
4 Germany	1406	254	1070	195	91	3	142	2
5 France	1245	233	937	173	85	3	124	2
6 United Kingdom	1229	229	924	168	97	9	124	2
7 Italy	1225	225	903	160	80	3	124	4
8 Republic of Korea	1196	229	923	166	88	4	140	4
9 Japan	1153	237	881	171	93	4	116	4
10 Spain	1070	199	790	143	78	4	101	3

Table 2.6 Which countries have inflicted harm since November 2008?

Rank	Ranked by number of discriminatory measures imposed	Ranked by the number of tariff lines (product categories) affected by discriminatory measures ¹	Ranked by the number of sectors affected by discriminatory measures ²	Ranked by the number of trading partners affected by discriminatory measures ³
1	EU-28 (604)	EU-28 (1220)	EU-28 (69)	EU-28 (226)
2	India (452)	India (1174)	Italy (69)	Italy (212)
3	Russian Federation (446)	Belgium (1099)	Argentina (69)	India (212)
4	United States of America (344)	Poland (1094)	Russian Federation (63)	Brazil (210)
5	Argentina (322)	France (1078)	Germany (62)	Germany (207)
6	Brazil (250)	Germany (1073)	China (61)	United Kingdom (207)
7	Belarus (211)	Italy (1073)	United States of America (59)	France (205)
8	China (204)	Greece (1072)	Brazil (58)	Poland (205)
9	Germany (203)	Finland (1072)	Algeria (58)	Finland (204)
10	Indonesia (192)	Netherlands (1070)	Indonesia (57)	Netherlands (204)

Notes: 1) The maximum number of tariff lines in the 4-digit UN classification used here is 1,229. 2) The maximum number of 2-digit sectors in the UN classification used is 69. 3) The maximum number of trading partners affected is 233.

Table 2.7 Ten most used state measures to discriminate against foreign commercial interest since the first G20 crisis meeting (ranked by number of discriminatory measures imposed)

	Number of discriminatory measures imposed since November 2008		Number of discriminatory measures imposed and still in force		Number of jurisdictions that imposed these discriminatory measures since November 2008		Number of jurisdictions harmed by these discriminatory measures since November 2008	
	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)	This report (June 2015)	Increase from previous report (Nov. 2014)
Trade defence/safeguard	1174	80	983	70	71	1	150	30
Bail out / state aid measure	1019	198	733	177	70	5	217	9
Tariff measure	706	99	583	86	96	5	215	1
Local content requirement	342	77	323	71	44	4	203	5
Export taxes or restriction	281	56	157	26	49	5	206	5
Trade finance	250	26	208	17	32	1	213	15
Investment measure	239	32	219	27	66	4	179	21
Export subsidy	197	63	141	45	58	7	217	2
Non-tariff barrier (not otherwise specified)	190	36	145	27	78	1	203	0
Public procurement	168	24	155	22	31	1	183	1

Table 2.8 Resort to trade defence measures since November 2008

Status of trade defence measure	Number
that have been initiated and currently under investigation	230
where a provisional or final duty has been imposed and is in force	976
where a provisional or final duty has been imposed but is no longer in force	189
for which the investigation has ended without the implementation of any duties	192

Table 2.9 Top 20 sectors most affected by discriminatory measures since November 2008

CPC code, Affected Sector	Number of discriminatory measures affecting commercial interests in this sector	Number of discriminatory implemented measures affecting specified sector and still in force	Number of jurisdictions implementing measures affecting specified sector and classified as red or amber	Number of pending measures affecting specified sector
34 (Basic chemicals)	525	403	79	90
41 (Basic metals)	504	411	85	98
1 (Products of agriculture, horticulture and market gardening)	517	330	104	37
49 (Transport equipment)	448	342	86	36
44 (Special purpose machinery)	449	352	82	24
21 (Meat, fish, fruit, vegetables, oils and fats)	338	227	91	37
42 (Fabricated metal products, except machinery and equipment)	333	262	76	42
43 (General purpose machinery)	341	273	75	21
35 (Other chemical products; man-made fibres)	320	245	77	36
46 (Electrical machinery and apparatus)	307	246	72	27
37 (Glass and glass products and other non-metallic products n.e.c.)	283	215	86	43
36 (Rubber and plastics products)	265	217	73	42
23 (Grain mill products, starches and starch products; other food products)	270	177	84	25
2 (Live animals and animal products)	267	167	78	21
26 (Yarn and thread; woven and tufted textile fabrics)	248	184	72	35
38 (Furniture; other transportable goods n.e.c.)	249	189	74	16
81 (Financial intermediation services and auxiliary services therefor)	248	165	55	12
47 (Radio, television and communication equipment and apparatus)	237	190	70	18
48 (Medical appliances, precision and optical instruments, watches and clocks)	230	184	73	19
27 (Textile articles other than apparel)	211	154	80	33

Figure 2.1 With upward revisions in quarterly totals, the three phases of Crisis-era protectionism remain

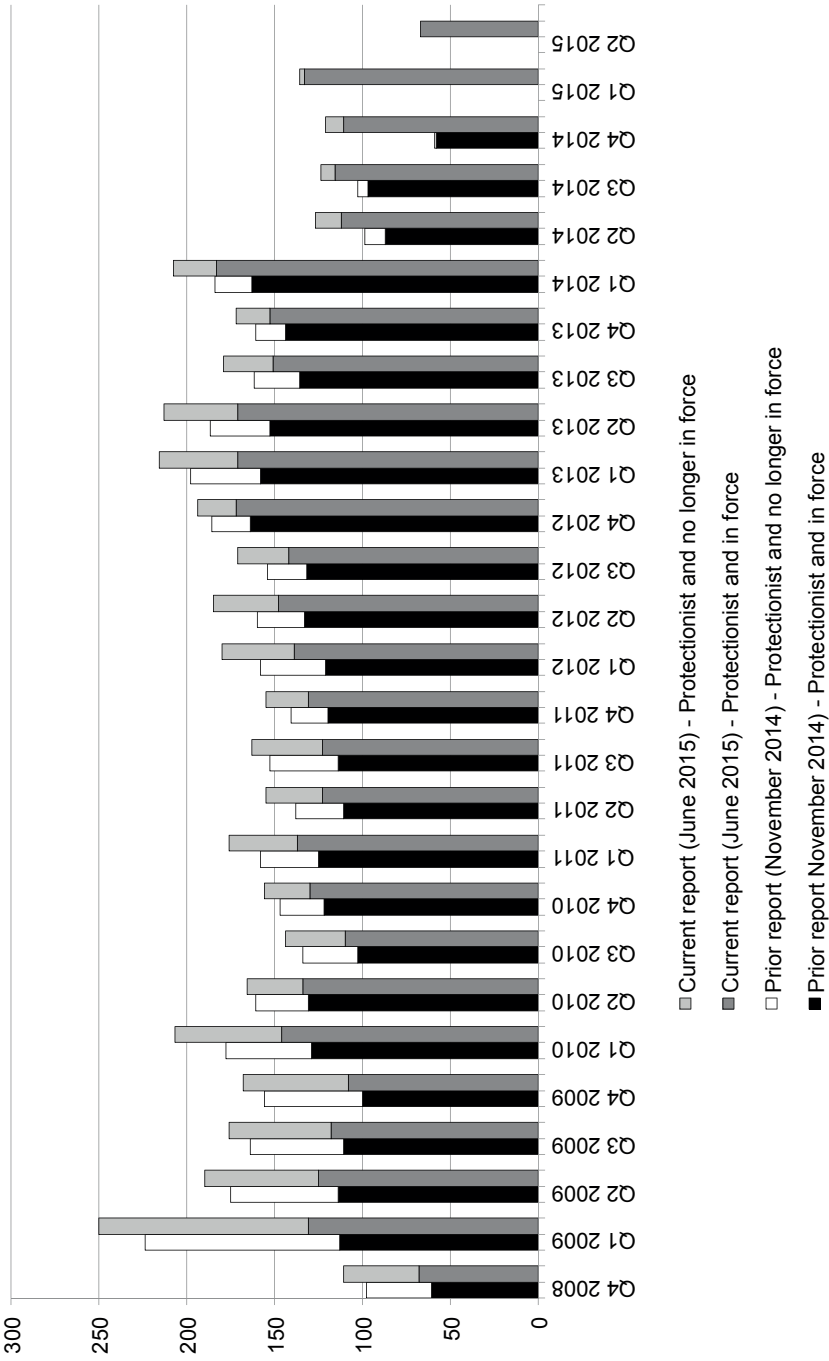


Figure 2.2 Top 10 implemented measures used to discriminate against foreign commercial interests since the first G20 crisis meeting

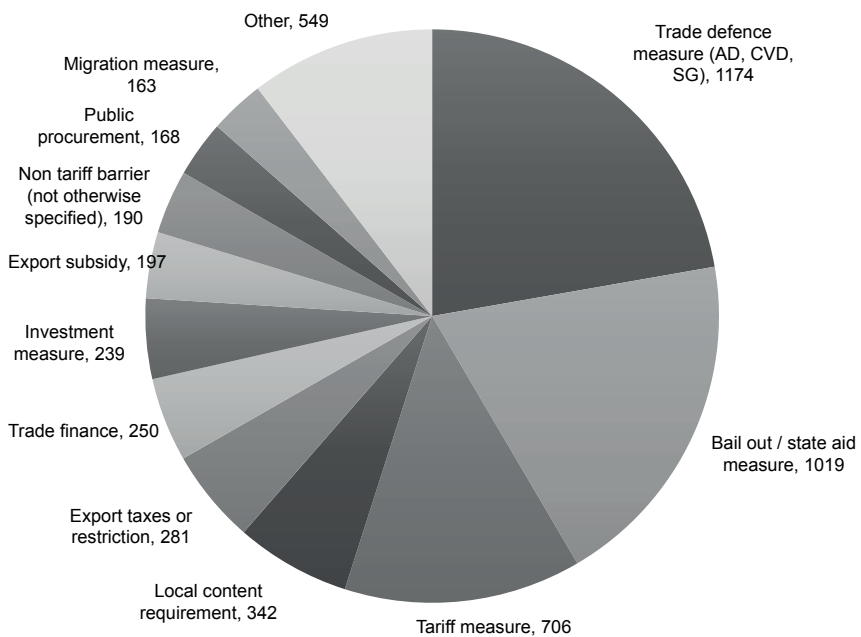
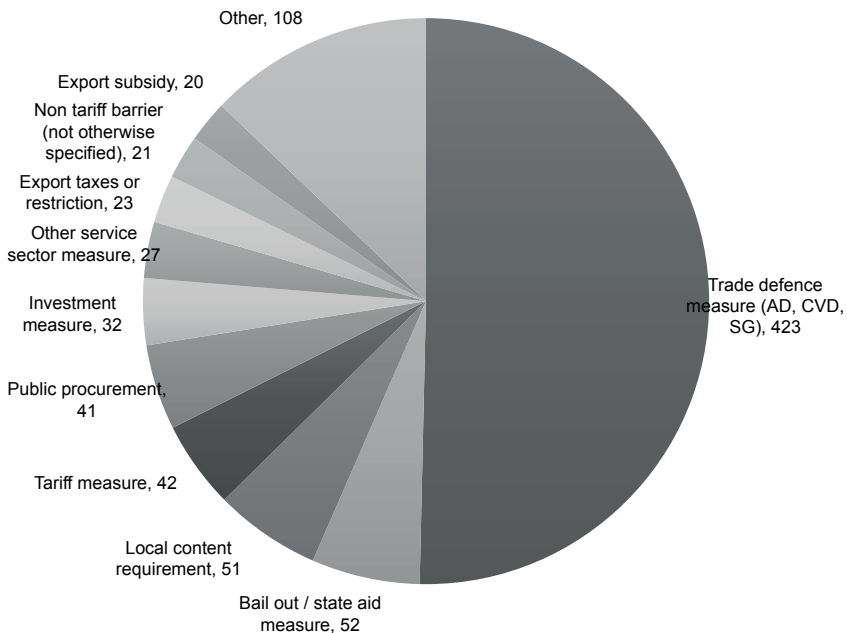


Figure 2.3 Classification of pending measures that, if implemented, would almost certainly discriminate against foreign commercial interests



3 The commercial policy stance of the BRICS

The purpose of this chapter is to characterise the commercial policy response of the BRICS to the global economic crisis and to describe the trade distortions faced by the trading interests of these rising economic powers. The former is of interest as it may reveal the extent to which the BRICS have resorted to beggarthy-neighbour policies, thereby shifting the burden of crisis-era adjustment on to others. The latter reveals much about the 'offensive' interests of the BRICS, which may embolden export and outward-oriented business interests in these countries to seek government favours and, even better, to counter the demands for protectionism at home.

The approach taken here is comprehensive in three respects. First, measures taken by the BRICS that improve the transparency of national policies and that liberalise those policies are considered as well as measures that tilt the playing field against foreign commercial interests.

Second, comparisons are made between the performance of the BRICS on key metrics and the Group of Seven (G7) leading industrialised nations and the other members of the Group of Twenty (G20) nations. Third, in line with the approach taken by the Global Trade Alert (GTA) and reflecting the various types of cross-border commerce in the twenty-first century, attention is not confined to policy changes affecting the international trade in goods.

Table 3.1 Only India is expected to maintain its rate of economic growth this year and next

	Actual 2013	GDP growth rate, %		
		2014	Latest IMF forecast	
			2015	2016
Brazil	2.7	0.1	-1.0	1.0
China	7.8	7.4	6.8	6.3
India	6.9	7.2	7.5	7.5
Russia	1.3	0.6	-3.8	-1.1
South Africa	2.2	1.5	2.0	2.1

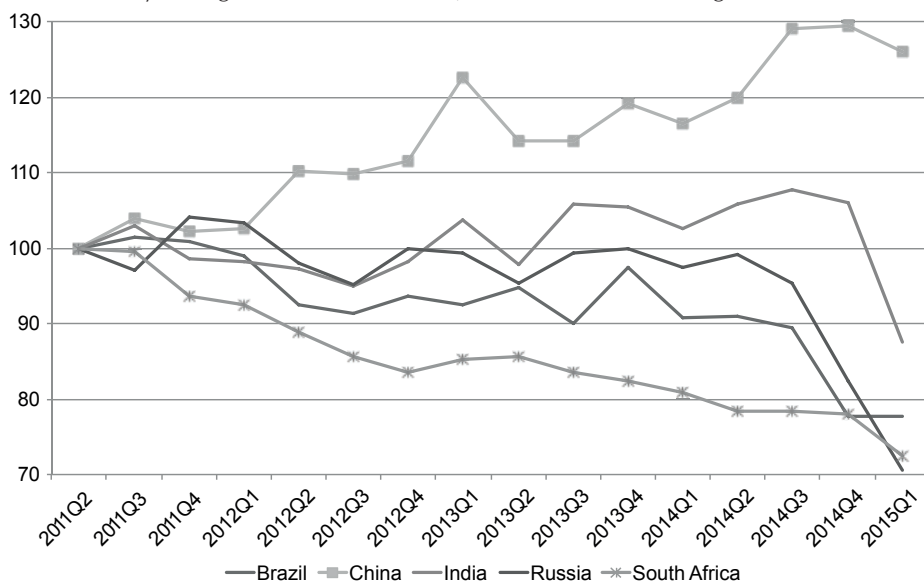
Source: IMF (2015).

Slowing macroeconomic growth; stalled exports

It is important to appreciate the macroeconomic policy context in which national decisions to discriminate against foreign commercial interests are taken. If national incomes and exports are growing at a healthy clip, often it is argued that pressures to tilt the playing field in favour of domestic firms and workers are attenuated. With the exception of India, however, recent years have witnessed falling rates of economic growth, which the IMF expects to continue into 2015 and 2016 (see Table 3.1).

In addition, exports have made a falling contribution to economic growth in the BRICS. For sure, the total value of many of the BRICS' exports in their own currencies has risen over the past four years. However, when converted into US dollars and, therefore, when seen in terms of its buying power on international markets,¹ as Figure 3.1 makes clear, China is the only BRICS member whose exports have not stagnated over the past four years. Worse, the export data for Q1 2015 points to a deterioration in Chinese, Indian, Russian and South African sales to foreign markets. Over-reacting to a single quarter's data makes little sense – still, the inability of many BRICS members to regain the export growth momentum seen before the crisis struck is a source of concern.

Figure 3.1 Only China's exports are now worth more in US dollar terms than four years ago – and even there, Q1 2015 data is disturbing

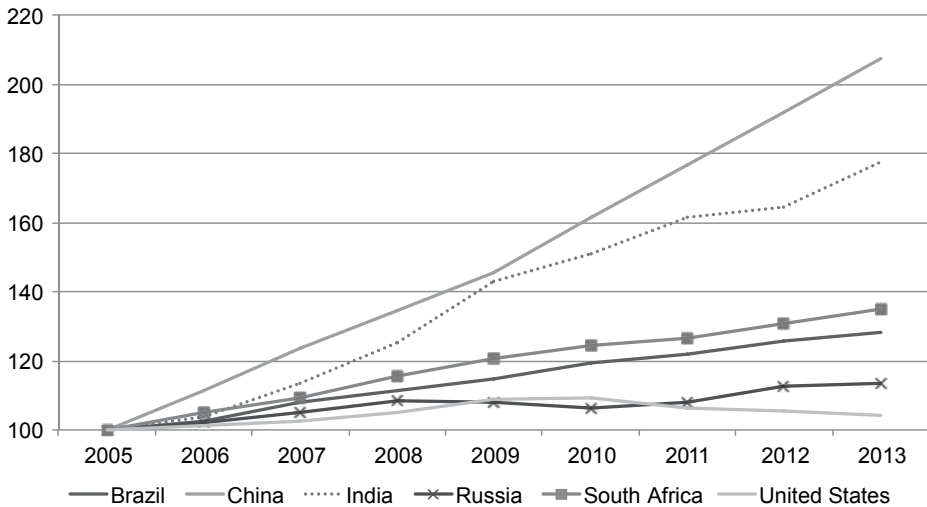


Source: OECD (2015).

¹ As a wag once said, countries have to export because their suppliers of imports have the temerity to demand payment.

The governments of BRICS members took aggressive steps as the global economic crisis struck. As in leading industrialised countries, fiscal stimulus packages were implemented. However, as shown in Figure 2, with the possible exception of Russia, the BRICS expanded final government consumption spending (which includes spending on salaries) faster than in the United States, which had its own significant expansion of state spending in the early years of the crisis.

Figure 3.2 Fiscal stimuli were a common crisis-era policy response in the BRICS



Source: World Development Indicators.

Crisis-era policy response was not confined to fiscal stimuli. Each of the BRICS has undertaken extensive industrial policy intervention.² BRICS industrial policies are wide-ranging in sectoral coverage and the policy instruments deployed. The selective nature of many of those policies has been shown to harm non-favoured, foreign commercial interests. Export performance may have been affected by more readily available trade finance and a variety of incentives to ship goods abroad or to lower the costs of imported inputs to exported goods.

In addition, although the timing has certainly differed, Brazil, India, Russia and South Africa have devalued their currencies against the US dollar during the past four years. The steady appreciation of the Chinese currency against the US dollar has, during the past 12 months, given way to a depreciation between November 2014 and March 2015 and a subsequent plateau. In a world where many exporters import components as part of regional or global supply chains, the impact of sharp currency moves are muted. However, the degree of such natural hedging almost certainly differs across sectors and national economies.

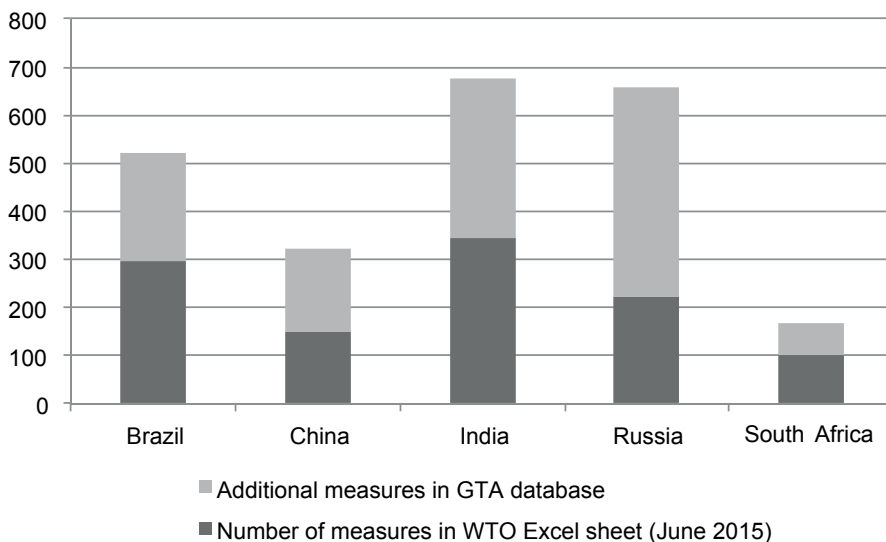
² See Aggarwal and Evenett (2014) for Brazil; Poon (2014) on China; Chapter 2 of USITC (2014) on India; Gerasimenko (2012) for Russia; and for the new industrial policy of South Africa, launched in May 2015, see DTI (2015).

In the remainder of this chapter, the focus is on the policies taken by the BRICS and their trading partners that treat differently domestic and foreign commercial interests.

BRICS policies towards openness

Analysts have long realised that tracking changes in the relatively transparent policies towards imports, such as tariffs and import quotas, sheds little light on the overall commercial policy stance of nations. Be that as it may, the difficulty arises in that information on other, often murkier, policies is less readily available. One source of information is the World Trade Organization's Excel file of measures taken by G20 members since October 2008.³ This source contains information on 1,115 policy changes by BRICS members. In contrast, the Global Trade Alert (GTA) database contains 2,344 reports on policy changes implemented by the BRICS members since November 2008. The GTA's coverage of Russia is far greater than the WTO's. Even in the case of South Africa, the GTA has documented 62% more government measures than the WTO (see Figure 3.3). For this reason, the GTA database is employed here to characterise the commercial policy stance of the BRICS since the onset of the global economic crisis.⁴

Figure 3.3 The GTA's coverage of commerce-related policy changes is 110% larger than the WTO's

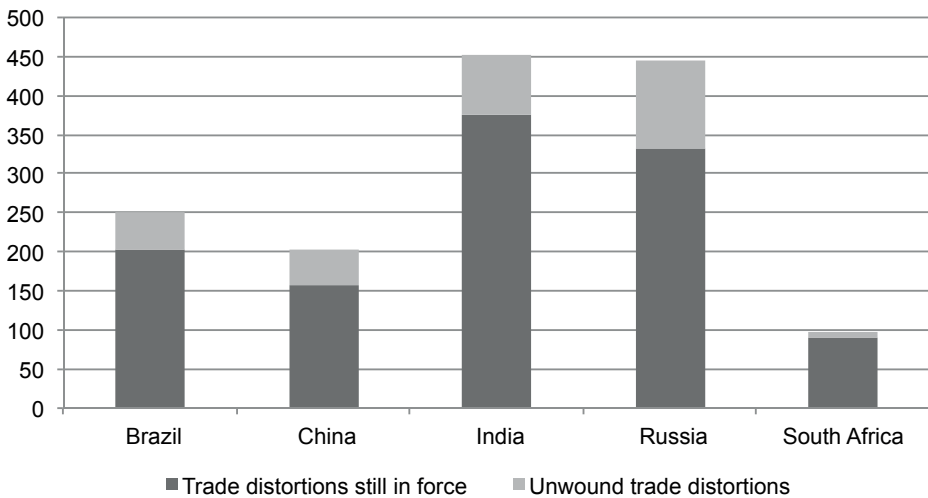


³ This source can be accessed by clicking this item [Summary and Status of G-20 trade and trade-related measures since October 2008](#). This file tends to be updated twice a year.

⁴ It should be noted that both of these databases seek to capture the changes in policy of potential relevance to foreign commercial interests implemented since the onset of the global economic crisis. This is not to deny that discrimination existed before the crisis or that such discrimination had no effect during the crisis.

Together the BRICS have implemented 1,451 government measures that tilt the playing field against foreign commercial interests in favour of domestic rivals. The BRICS have been responsible, therefore, for 32% of the discriminatory measures taken worldwide since November 2008. Moreover, only a fifth of the discriminatory measures implemented by the BRICS have been removed, undermining claims that their protectionist response to the global economic crisis was a temporary aberration.

Figure 3.4 Together the BRICS have implemented 1,450 trade distortions since the crisis began, only 20% have been unwound



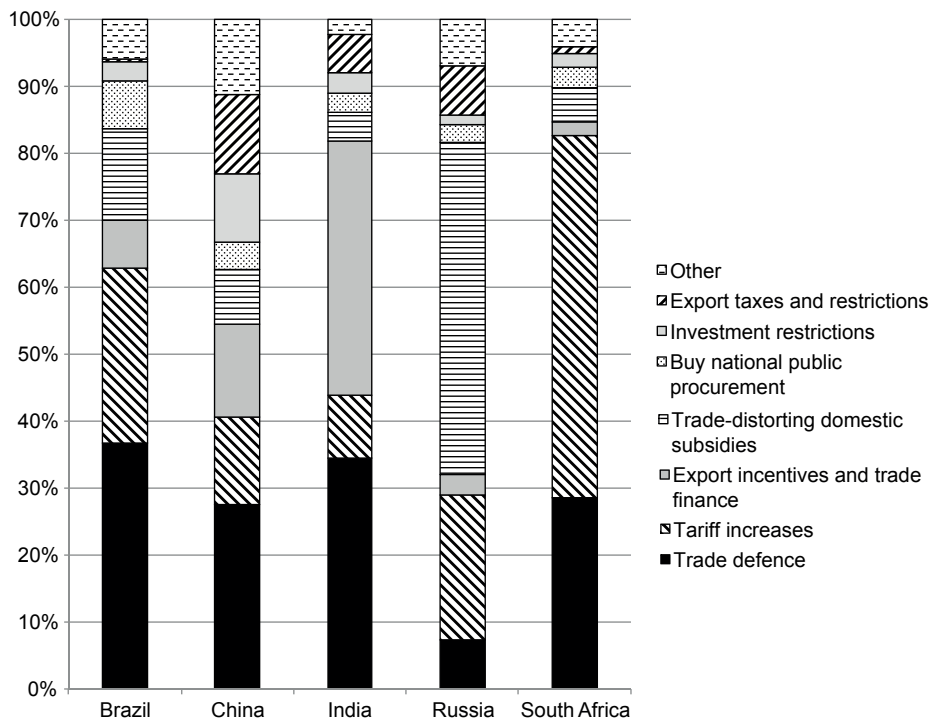
The BRICS differ markedly in their resort to discrimination against foreign commercial interests (see Figure 3.4). India and Russia have taken approximately 450 measures that harm trading partners, in contrast to the 100 measures taken by South Africa. Of course, such counts may not reveal much about the volume of trade affected or the harm done to the BRICS or their trading partners. (For trade covered by one type of trade distortion employed by the BRICS, see Chapter 4 of this report.)

The manner in which the BRICS discriminate against foreign commercial interests differs as well (see Figure 3.5). Russia is unusual – at least compared to fellow BRICS – in resorting less often to anti-dumping and anti-subsidy tariffs (so called ‘trade defence’) and import safeguards.⁵ In contrast, Russia resorts more often to subsidies to domestic firms that face cross-border competition from foreign rivals. South Africa resorts to tariff increases the most, followed by Brazil and Russia. India stands out for the number of measures taken to artificially boost exports through subsidised trade finance and other incentives (Brazil and China deploy a number of such incentives as well.) China, India, and Russia have also

⁵ Approximately 30% of the discriminatory measures taken by the other BRICS are trade defence measures.

sought to manage their export flows through the resort to export taxes and other restrictions.⁶

Figure 3.5 The mix of policies used to discriminate against foreign commercial interests varies across the BRICS

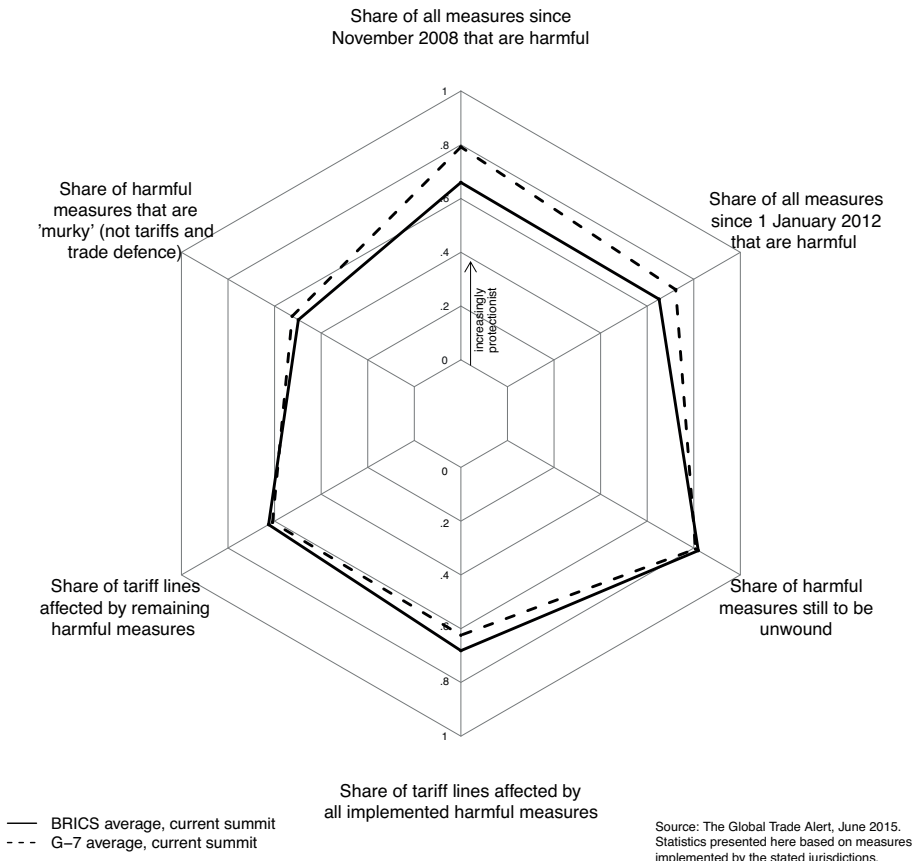


Interesting patterns emerge when the commercial policy stance of the BRICS is compared to that of other large trading nations, specifically, the G7 industrialised countries and the non-G7 members of the G20 (almost all of which are developing countries). Figures 3.6 and 3.7 compare BRICS with these two other groups on six metrics on the degree to which they have introduced discrimination against foreign commercial interests since November 2008.

The resort to discrimination by the BRICS and by the G7 nations is remarkably similar, with the exception that the former's policy mix has been slightly less discriminatory. Of the measures introduced by the G7 nations, 80% discriminate against foreign commercial interests, whereas the comparable figure for the BRICS is 67%. The share of product categories (tariff lines) affected by BRICS protectionism is slightly higher than that for the G7. Both groups of countries have unwound only a fifth of their crisis-era discrimination to date.

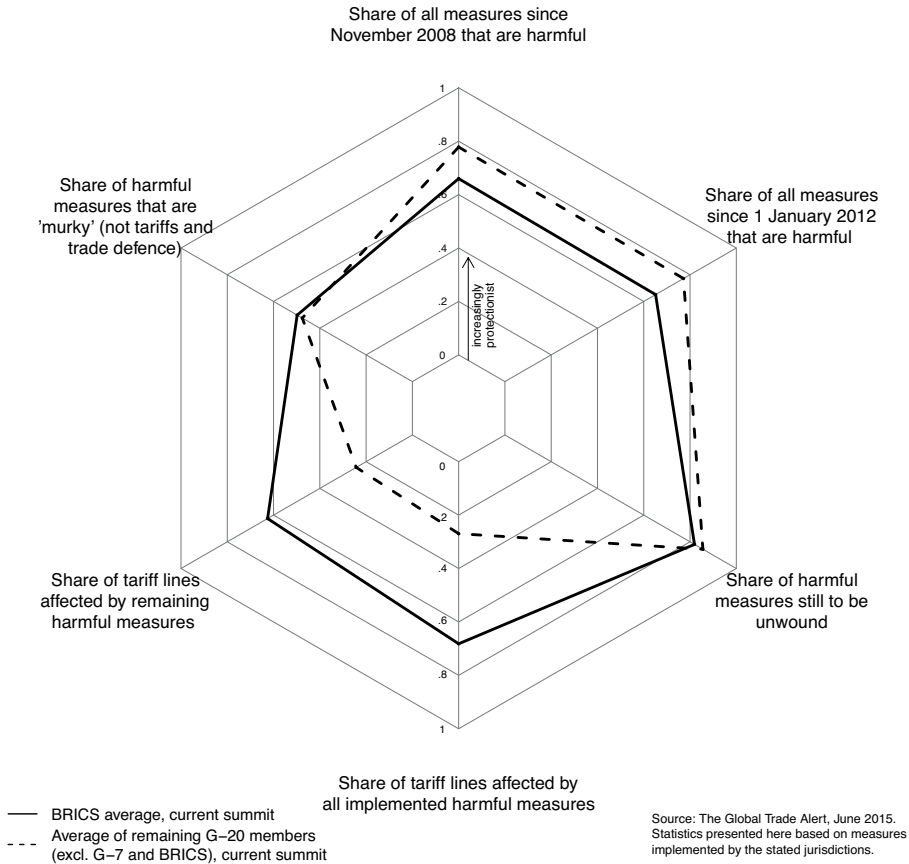
⁶ The most well known of these export restrictions are those in Rare Earths maintained by China and subject to litigation at the WTO.

Figure 3.6 The share of BRICS policy measures harmful to foreign commercial interests is lower than that for the G7 industrialised nations



Sharper differences emerge in the resort to discrimination by the BRICS and by the G20 members that are not part of the G7. A greater share of the latter's policy interventions discriminate against foreign commercial interests, however, the number of product lines affected by such discrimination is less than half of that affected by BRICS protectionism.

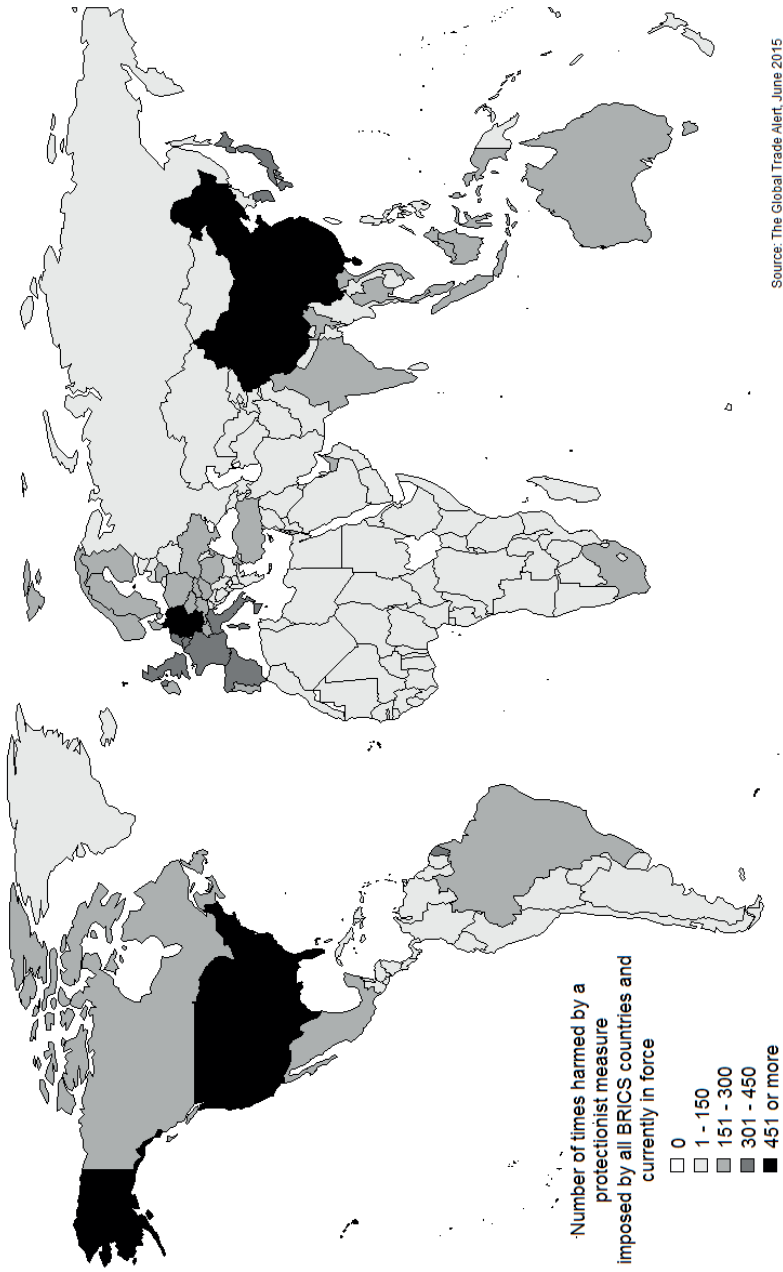
Figure 3.7 While the BRICS imposed proportionally fewer harmful measures than the other non-G7 members of the G20, their protectionism affected many more products



On the basis of the six metrics contained in these spiral diagrams, it is difficult to condemn the BRICS, at least when contrasted with other larger economies. Before letting the BRICS off the hook, however, the global reach and scale of BRICS discrimination against foreign commercial interests should be taken into account. The maps in Figures 3.8 and 3.9 may be helpful in this respect.

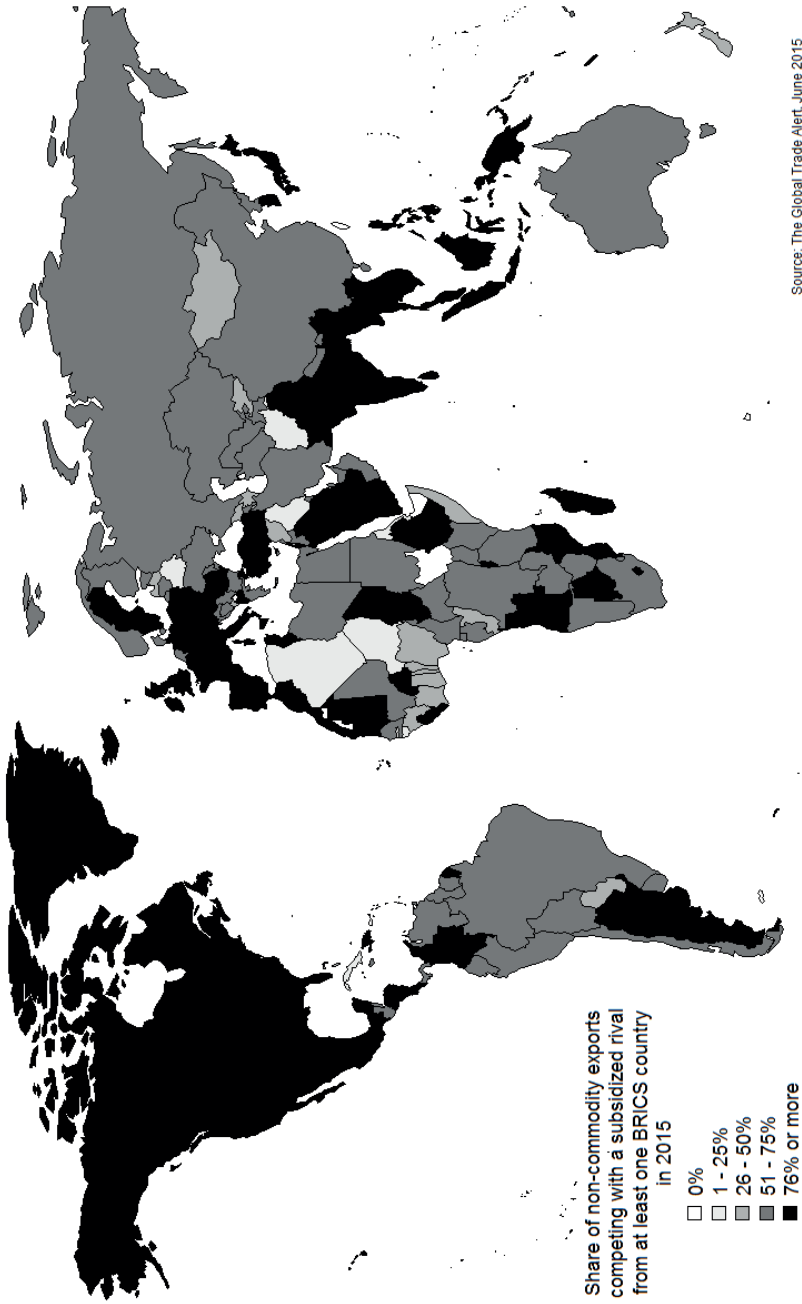
Figure 3.8 reveals that many nations have seen their commercial interests harmed over 300 times by actions taken by the BRICS since November 2008. Leading exporters such as Germany and the United States have been harmed particularly often – 608 and 643 times, respectively. It would be very difficult to argue that discrimination by the BRICS is limited in geographical scope and frequency.

Figure 3.8 More than the occasional hit: The global reach of BRICS trade distortions



Source: The Global Trade Alert, June 2015

Figure 3.9 Artificial export incentives by the BRICS threaten large shares of trading partners' exports



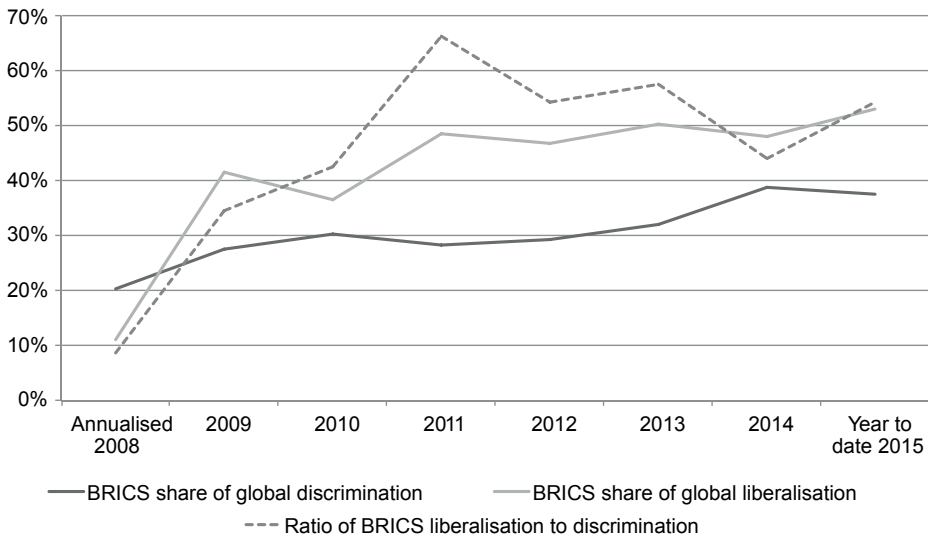
The BRICS – Brazil, India, and China, in particular – resort to extensive tax and other incentives to boost sales in foreign markets. A list of such measures taken by the BRICS can be found towards the end of Chapter 4 of this report, and further details are available on the Global Trade Alert website. Many of these measures involve tax refunds or reductions for firms engaged in exporting. Taken together, these artificial export incentives are not confined to a narrow range of exported goods. Indeed, over time cross-border exports of services have become eligible for such incentives in certain jurisdictions.

The problem with these artificial export incentives is that these intensify competition in overseas markets at the expense of other exporters that do not benefit from their government's largesse. To maintain orders and market share, the latter must lower prices, reducing profit margins and the incentive to export. Artificial export incentives, therefore, beggar-thy-neighbour by reducing their exports in third markets – not in home markets, as is the case of import restrictions like tariffs and quotas.

The scale of the foreign exports that may have to compete against potentially subsidised BRICS exporters has become clear during the past six months.⁷ With the latest update of the GTA database, extending the calculations first reported in Evenett and Fritz (2015) concerning the exposure of the Least Developed Countries to foreign trade distortions, and using data on over 1,200 product categories, the percentage of each nation's exports that compete against shipments from the BRICS where an export incentive is available for the product in question was calculated and reported in Figure 3.9. The results are striking. In dozens of countries, more than three-quarters of their exports face competition from BRICS exporters entitled to state-provided export incentives. In dozens more countries, more than half of their exports are at similar risk. This is a damning piece of evidence concerning the scope of harm done by the crisis-era commercial policy response of the BRICS.

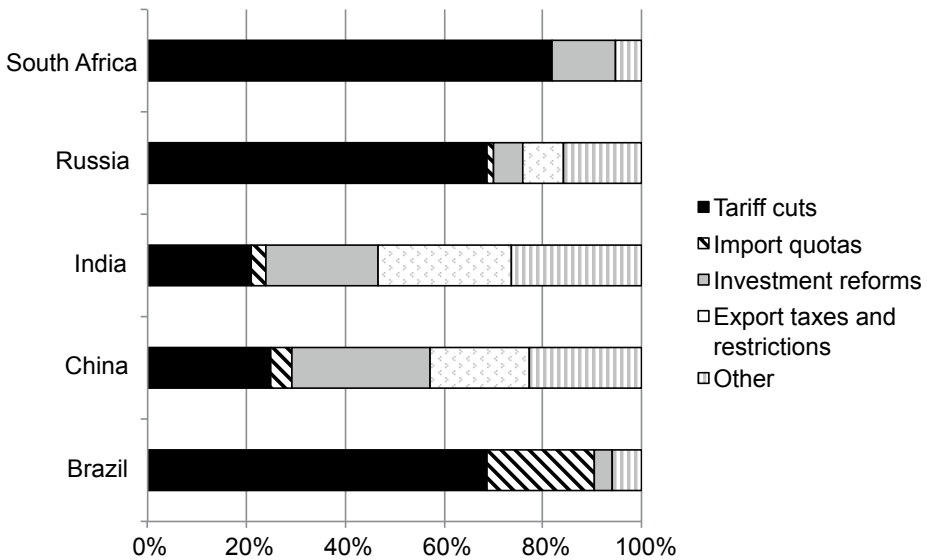
Yet, completeness dictates that the resort to liberalisation or government measures that are neutral towards foreign commercial interests should be taken into account as well. As Figure 3.10 shows, the BRICS are responsible for a growing share of trade reforms and other measures that likely benefit foreign commercial interests. In the year to date, half of the world's trade liberalising measures were implemented by the BRICS (the comparable share of discriminatory measures implemented was two-fifths). While such reforms are to be applauded, this finding is tempered by the fact that 28% of BRICS trade reforms were temporary and have already lapsed (the comparable percentage for the rest of the world is much lower at 15%).

⁷ The word "potentially" is used here deliberately. How much or how little tax an exporter actually pays is normally a confidential matter. An external observer – including a rival foreign firm – cannot know for sure if a firm has availed itself of a tax incentive to export. The effective size of the incentive will depend on the details of the relevant tax scheme (making its magnitude hard to compare to an explicit export subsidy). Still, the uncertainty will be taken into account by rival foreign firms and this may discourage the latter from seeking certain foreign orders.

Figure 3.10 The BRICS account for a growing share of global trade liberalisation

Similar to their resort to discriminatory measures, the BRICS differ in the manner in which they have lowered obstacles to foreign firms and investors (see Figure 3.11). In Brazil, Russia, and South Africa, over half of reforms were tariff cuts, whereas in China and India less than a quarter were. A sizeable number of reforms in China and India involved improving conditions for foreign investors and lowering or removing export taxes and other restrictions. It is worth noting, however, that almost all of the reforms undertaken by the BRICS were traditional border measures, rather than reducing subsidies or scaling back behind-the-border measures, such as local content requirements (which have become increasingly popular of late).

Figure 3.11 Brazil, Russia, and South Africa cut tariffs often; India and China’s liberalisation included tariff cuts, investment reforms, and eased export taxes and restrictions



The resort by the BRICS to reforms benefiting foreign commercial interests can also be compared to other groups of large economies (see Figures 3.12 and 3.13). The proportion of policy measures involving reforms is higher in the BRICS than in the G7 industrialised countries, and a larger proportion of BRICS reforms take the form of tariff cuts. However, reforms by the large industrialised countries affect around twice as many product categories.

In contrast, when the BRICS are compared to the G20 members that are not part of the G7, on the whole the former’s reform record is more impressive. The fraction of policy changes that are reforming is larger in the BRICS, covers more product categories, and more often takes the form of transparent tariff cuts (Figure 3.13).

In sum, in relative and absolute terms, in relation to the treatment of foreign commercial interests since the onset of the global economic crisis, the record of the BRICS is mixed. The sheer scale and likely global impact of the artificial export incentives implemented by three of the BRICS is a major source of concern, however.

Figure 3.12 The BRICS policy mix is more skewed towards reform than the G7 industrialised nations, but the products benefiting from the latter were greater in number

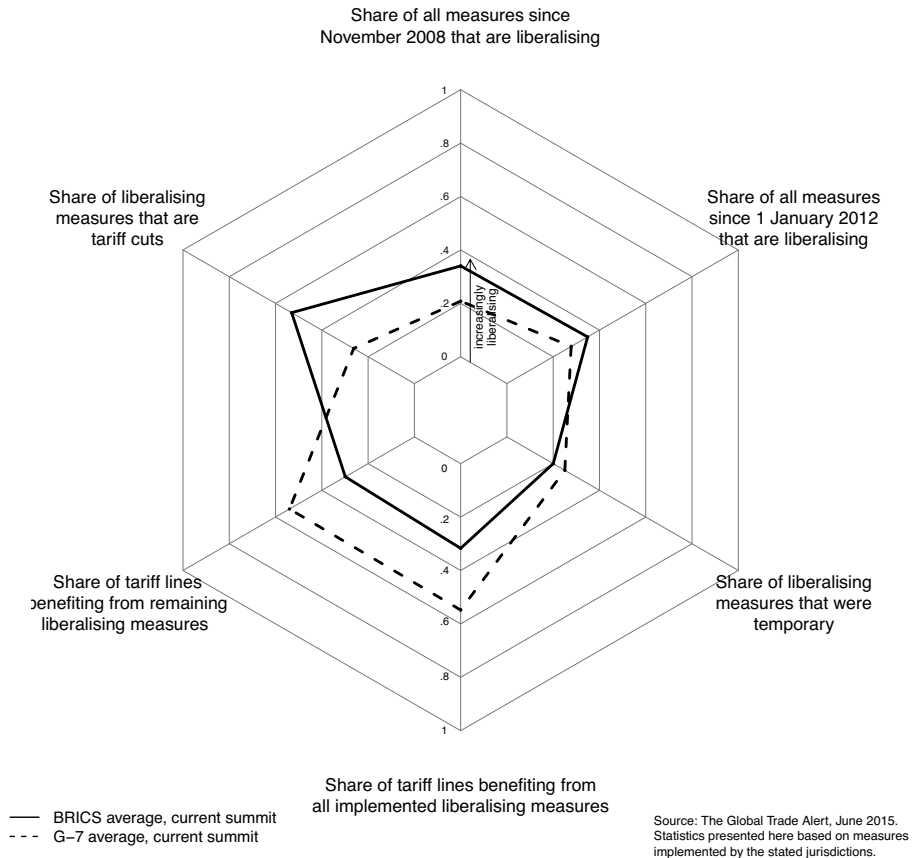
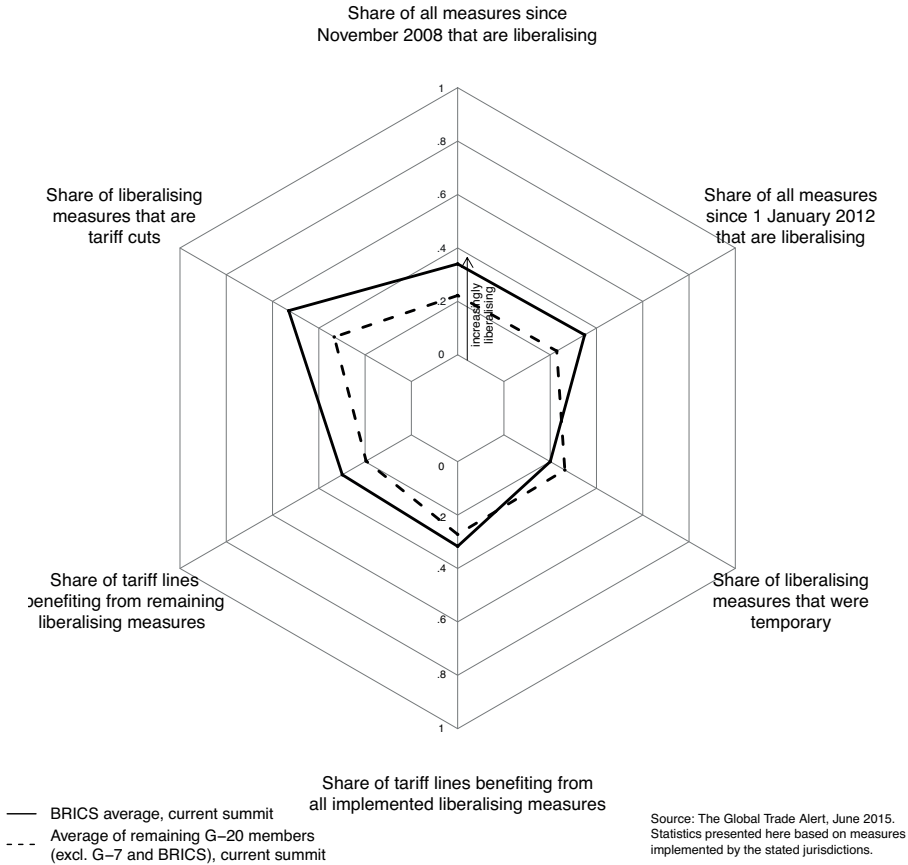


Figure 3.13 The BRICS record on liberalisation betters that of the non-G7 members of the G20



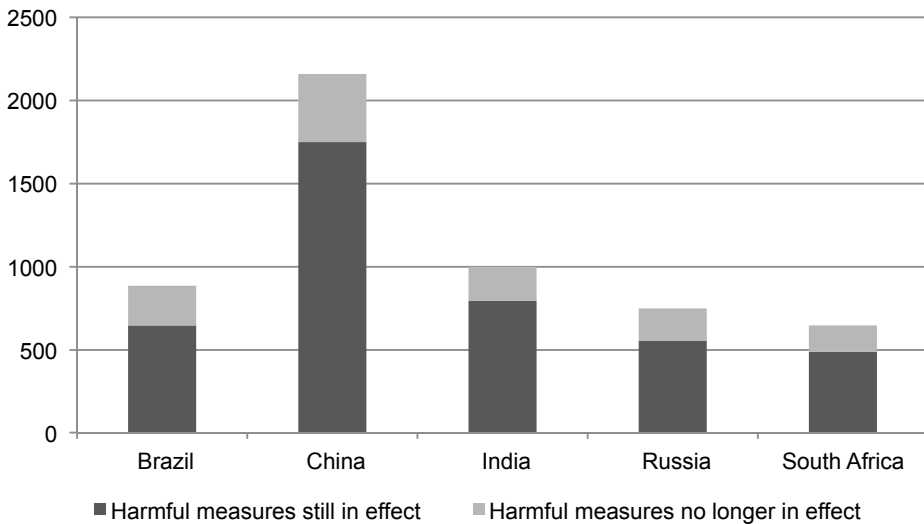
Trade distortions faced by the BRICS

Attention turns now to the discrimination faced by commercial interests in the BRICS in their operations abroad. In terms of the factors that might influence policymaking in the BRICS, such foreign discrimination may be important as it could influence the manner in which the affected interests lobby their governments. Moreover, evidence on foreign discrimination against the BRICS might be deployed to shape the priorities of these countries in the WTO, including their potential resort to dispute settlement.

One summary statistic of the scale of discrimination faced by the commercial interests of the BRICS is the total number of times each of these five countries have been adversely affected since the onset of the global economic crisis. Figure

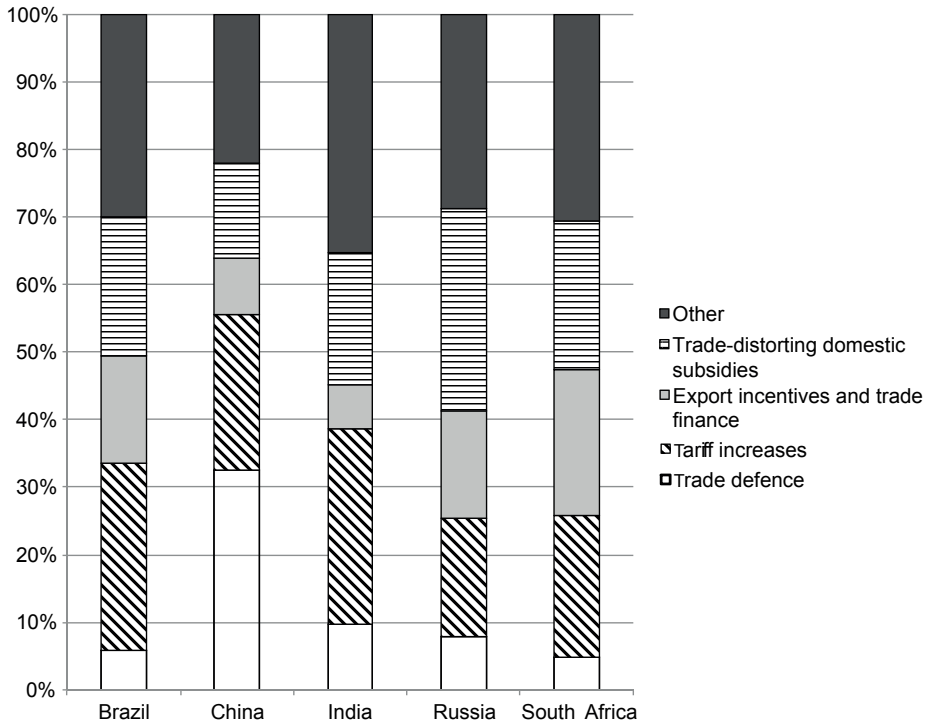
3.14 presents this statistic by BRICS member. A total of 2,733 measures have been taken by trading partners that harm the BRICS. This implies that of the 4,563 discriminatory measures that have been recorded in the GTA database, 60% of them harm at least one of the BRICS.

Figure 3.14 The BRICS commercial interests have been hit over 2,700 times since the crisis began



In terms of frequency of hits to its commercial interests, China stands out. A total of 2,153 foreign measures have harmed Chinese interests and 1,746 of these remain in force. The other BRICS have seen their commercial interests harmed between 500 and 1,000 times. In light of these findings, one might have expected the BRICS to be in the vanguard of global efforts to deter and roll back crisis-era protectionism.

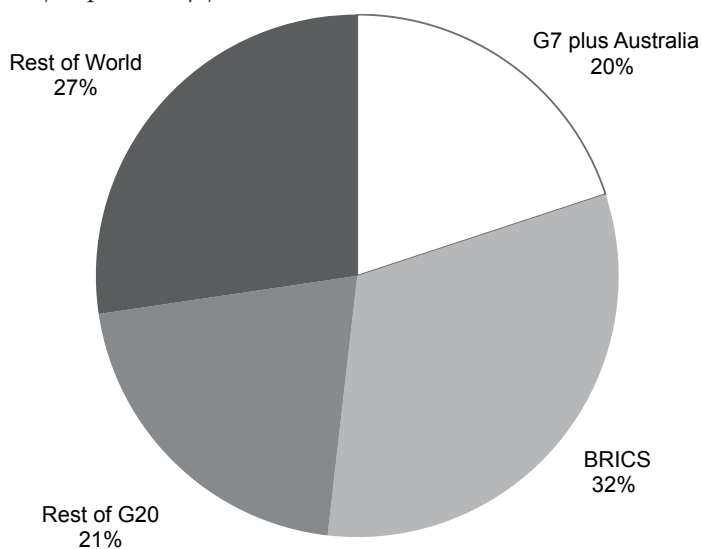
Figure 3.15 Import restrictions and trade-distorting subsidies account for most of the trade distortions faced by the commercial interests of the BRICS



The types of discrimination faced by commercial interests are not confined to traditional forms of protectionism, namely, trade defence actions and tariff increases. In fact, only in the case of China do such border barriers account for more than half of the hits to BRICS commercial interests. Trade-distorting bailouts, export incentives, and trade finance measures also account for a sizeable share of the hits. Attempts to narrowly define, and to limit the scope of monitoring, of trade distortions would, on the basis of the evidence presented here, not be in the interests of the BRICS.

Figure 3.16 Special and differential treatment for developing countries – at the expense of the BRICS.

Distribution of responsibility for crisis-era hits to BRICS commercial interests



If the declarations following meetings of the trade ministers of the BRICS are anything to go by, the attitude taken by the emergent economic powers is ambivalent towards protectionism. For sure, protectionism is often condemned. However, caveats are repeatedly made that give rise to the impression that protectionism is fine if undertaken by developing countries under the guise of ‘special and differential treatment’.⁸ The latter principle has been advanced by many developing countries at the WTO in an attempt to ensure less far-reaching restraints on their policymaking as compared to industrialised countries. And, of course, the group of developing countries includes the BRICS.

The wisdom of this approach to crisis-era protectionism should be called into question. The GTA database allows the perpetrators of crisis-era discrimination against BRICS commercial interests to be identified. The groups of countries responsible for the 2,733 hits to the BRICS are shown in Figure 3.16. The G7 industrialised countries plus Australia are responsible for a fifth of the hits. Nearly a third of the hits against the commercial interests of the BRICS were implemented by a member of this group. Other developing country members of the G20 were responsible for another fifth. Taken together, 73% of the hits to BRICS exporters, foreign investors, and nationals working abroad were undertaken by members of the G20 group.

⁸ For example, the 2014 declaration of BRICS trade ministers stated that, “they [the ministers] reaffirmed their commitment to refrain from trade protectionist measures that are incompatible with WTO obligations, while respecting the special and differential treatment for developing countries.”

These findings suggest that the BRICS would be better served by reorienting their approach towards protectionism away from making excuses for the harm done by developing countries to confronting the resort to discrimination by fellow G20 members. In addition, the trade ministers of the BRICS would do well to curb their hits to each others' commercial interests. The number of times each member of the BRICS has hit another member of this group is reported in Table 1.1 in this report, and gives a poor impression of the actual degree of solidarity among the rising economic powers.

Concluding remarks

The goal of this chapter was to summarise important aspects of the commercial policy stance of the BRICS during the crisis era, and the chapter included comparisons among these five nations and between this group and other groups of large economies. Steps taken to benefit as well as harm foreign commercial interests were considered, as were steps taken by the trading partners of the BRICS against the latter's exporters, investors, and nationals working abroad. Several conclusions arose from this analysis of the latest available data.

First, while the BRICS resorted often to discrimination against foreign commercial interests, they have frequently lowered trade barriers and made life easier for foreign investors as well. Second, this mixed record should not be used to absolve the BRICS. After all, quite a lot of their trade reforms were temporary and have already lapsed. Plus, the artificial export incentives put in place during the crisis era by Brazil, India, and China are likely to have distorted conditions of competition in many, many markets around the globe. As the scale and effects of these export-related trade distortions become better known, they are likely to become a source of contention with trading partners.

Third, the BRICS need to revisit their trade strategy. By turning a blind eye to protectionism by developing countries, the BRICS have shifted their attention to the discrimination undertaken by industrialised countries. It is right and proper to condemn discrimination by the latter. However, developing countries are responsible for four-fifths of the discrimination against BRICS, emphasising the worldwide nature of the problem.

Fourth, the worldwide nature of the challenge facing the BRICS here calls for their agitation at the WTO and at the G20 against protectionism and in favour of its reversal over time. Lastly, when the BRICS trade ministers meet they ought not to forget that a third of the discrimination against their group's interests is undertaken by the very governments sitting around the conference table.

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4 The threat to LDC exports posed by the BRICS

Introduction

The coherence of a nation's policies with its stated objectives is one standard that governments are held to.¹ Enhancing the integration of the almost 50 Least Developed Countries (LDCs) into the world economy is a long-standing and widely accepted objective of national trade and development policies and of the United Nations and the membership of the WTO.

The BRICS have signed up to these goals as well. Indeed, some of the BRICS have claimed to speak on behalf of developing countries, including the LDCs, at the WTO. From time to time such support manifests itself in statements made by the BRICS individually and collectively. For example, much has been made of the need for appropriate international financial aid to support LDCs and other poor countries implement the Trade Facilitation Agreement, agreed by WTO members in December 2013.²

The purpose of this chapter is to highlight one important area of incoherence between this stated goal and the commercial policy choices of the BRICS. The argument advanced here is not that the BRICS alone have trade policies that are not aligned with the goal of promoting LDC integration into the global economy. Other governments can be criticised on these grounds as well. However, the scale of the BRICS policies that will be highlighted here is of particular systemic concern.

This chapter builds on a small, growing literature on the impact of financial incentives offered by governments to their exporters. While these incentives seek to boost the contribution of exports to national economic growth, they can beggar-thy-neighbour by shifting sales in third markets away from other exporting nations. In the case of the LDCs, which have fewer resources available to them, this is particularly unwelcome as their governments are unlikely to be able to match any subsidies offered by their trading partners. Such export-related

1 Another legitimate question is whether a nation's policies are effective or offer value for money. Coherence, however, may well be a necessary condition for effectiveness. The focus in this chapter is on coherence.

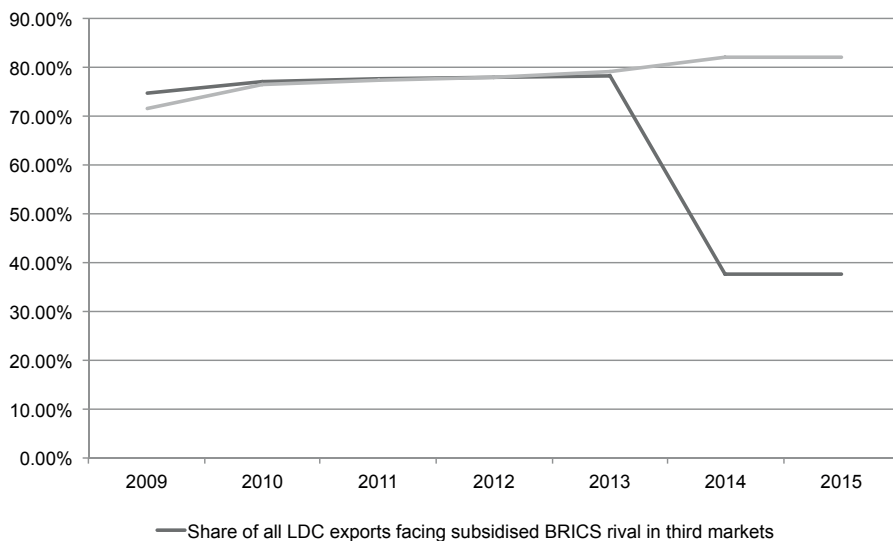
2 At their summit in 2014, the heads of government of the BRICS declared, "[w]e look forward to the implementation of the Agreement on Trade Facilitation. We call upon international partners to provide support to the poorest, most vulnerable WTO members to enable them to implement this Agreement, which should support their development objectives." The text of that summit's declaration can be found at <http://brics6.itamaraty.gov.br/category-english/21-documents/223-sixth-summit-declaration-and-action-plan>.

financial incentives are likely to limit, or even reduce, the extent to which LDCs integrate into the world economy.

The reach of export incentives employed by the BRICS

Governments can enhance the incentive for national firms to export through a number of means. These include trade finance, explicit subsidies per amount exported, and rebates or reductions on taxes for exporting. The transparency, cost, and impact of these different policy options may differ substantially. For example, tax-based incentives may be buried in national legislation and not be immediately apparent to trading partners. Given one of the defining features of the BRICS has been their growing share of international trade, and therefore of world exports, it is noteworthy that extensive incentives exist in these jurisdictions for exporters.

Figure 4.1 Four-fifths of LDC exports of goods other than commodities face competition from BRICS rivals eligible for export incentives



During the past three years the evidence concerning the extent of such export incentives has grown. First, the Global Trade Alert team began documenting and publishing information on such measures. Then, Evenett et al. (2012) assembled the available evidence and demonstrated how China had scaled up its incentives to exports – principally through more generous value added tax rebates for exporters – once the global economic crisis got under way. They argued that the fine-grained manner in which China increased and reduced these incentives over time amounted to nothing less than a policy of managed exports.

Goudon et al. (2014) provided statistical estimates of the impact of these Chinese incentives on that nation’s exports, taking account of the considerable variation across products and time in the magnitude of the incentives offered. Interestingly, they found these Chinese incentives had considerable impact.

Using detailed product-level data and data on bilateral trade flows, Evenett and Fritz (2015) demonstrated the extent to which LDC exporters faced subsidised foreign rivals in third markets as part of a study of the impact of crisis-era trade distortions on LDC exports. They found that all such distortions held back LDC exports by 31%, or a quarter of a trillion US dollars, over the years 2009 to 2013. State-provided export incentives accounted for the lion’s share of the harm done to LDC exporters.

As the Global Trade Alert database was updated for this report, the opportunity was taken to prepare estimates of the percentage of LDC exports that face subsidised exports from the BRICS.³ Given that a considerable share of LDC exports are commodities, care was taken to prepare estimates for all LDC exports and for all non-commodity LDC exports. The findings are summarised in Figure 4.1. The percentage of LDC exports of goods other than commodities that face competition from subsidised BRICS rivals in third markets has risen over time and now stands at over 80%.

Changes in the state incentives for commodity exports accounts for the differences over time in the total amount of LDC exports exposed. At a minimum, during the years 2009 to 2013 it can be said that LDC exposure to artificially subsidised exports from the BRICS has been substantial. The BRICS have called for the integration of the LDCs into the world economy on the one hand, but have then taken steps to frustrate that outcome on the other. This is a classic example of policy incoherence.

Table 4.1 Export incentives by Brazil, China, and India pose particular threats to LDC export performance

Implementing jurisdiction	Share of LDC exports affected by export incentives in force today (June 2015)	Share of LDC exports affected by export incentives in force today, excluding commodities.
Brazil	12.01%	25.65%
China	25.36%	57.70%
Russian Federation	1.01%	1.33%
India	27.82%	60.86%
South Africa	0.04%	0.09%

³ One concern in making these calculations is that as these export incentives are increased the amount of LDC exports falls, affecting the computed percentages. To overcome this problem, the shares of LDC exports by product and by export destination for the pre-crisis years 2005 to 2007 were used in the computation of the percentages reported here. In their earlier study, Evenett and Fritz (2015) used a range of weighting schemes and this was not found to markedly affect the findings.

The BRICS are not equally responsible for this incoherence, as Tables 4.1 and 4.2 make clear. Table 4.1 identifies the percentages of LDC exports that face subsidised exports from each BRICS nation. Brazil, China, and India stand out as offering incentives that harm the commercial interests of the LDCs. Table 4.2 (in the Appendix) lists the 46 different export incentives offered by Brazil, China, India, and the Russian Federation that involve products that compete with 1% or more of LDC exports other than commodities. The government measures listed in Table 4.2 are listed in order of diminishing threat to LDC exports and indicate the number of product categories (on the United Nations' 4-digit product codes) where subsidised BRICS exporters compete with LDC rivals. The findings in these tables highlight the systemic nature of the harm done by the BRICS to the most vulnerable economies on Earth.

Concluding remarks

In international trade circles much is made of the solidarity among developing countries. The evidence presented in this chapter suggests such talk of solidarity is exactly that – talk, at least as far as the BRICS are concerned. An important feature of the crisis-era commercial policy response of the BRICS has been to ramp up incentives for exporters, many of whom compete in third markets with firms based in the Least Developed Countries. It is not going too far to say that some of the vaunted export growth of the rising economic powers has come at the expense of the Least Developed Countries. This is not just an example of beggar-thy-neighbour policy, it is beggar-thy-poor-neighbour.

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Appendix

Table 4.2 List of 46 state-provided export incentives provided by the BRICS that compete with 1% or more of the non-commodity exports of the LDCs

BRICS member responsible	Title of measure in the GTA database	Measure in force in June 2015?	Year measure implemented	Year measure lapsed, if any	Number of 4-digit tariff lines affected	Number of tariff lines where implementer competes with a LDC in a third market in the year prior to implementation	Percentage of all LDC exports exposed to this export incentive	Percentage of non-commodity LDC exports exposed to this export incentive
Brazil	Brazil: Public financing for the production of goods for exports by small and medium companies (pre-shipment phase)	No	2009	2013	706	174	59.74%	37.75%
India	India: Amendments to several export schemes under the foreign trade policy 2009-14	No	2013	2015	838	226	24.81%	56.32%
India	India: Pre and post shipment export credit	No	2008	2010	136	65	21.99%	50.03%
India	India: Extension of service tax refund for exporters	Yes	2008	-	135	64	21.99%	50.03%
India	India: Interest subvention scheme for designated exports	No	2008	2014	113	57	20.88%	47.51%
India	India: New Foreign Trade Policy 2015-20 announced	Yes	2015	2020	551	158	20.39%	46.40%
India	India: 2010-11 supplement to the foreign trade policy 2009-14	No	2011	2015	143	68	18.41%	41.88%
India	India: Incentives for leather and textile sector exports	No	2009	2009	108	55	17.97%	40.88%
India	India: Subsidy scheme to facilitate exports	No	2012	2014	227	70	17.67%	40.19%

BRICS member responsible	Title of measure in the GTA database	Measure in force in June 2015?	Year measure implemented	Year measure lapsed, if any	Number of 4-digit tariff lines affected	Number of tariff lines where implementer competes with a LDC in a third market in the year prior to implementation	Percentage of all LDC exports exposed to this export incentive	Percentage of non-commodity LDC exports exposed to this export incentive
China	China: New VAT rebates for exporters of 246 products	Yes	2015	-	207	88	17.46%	39.73%
India	India: Interest subvention scheme for rupee export credit extended to 2013 and number of sectors increased	No	2012	2014	134	66	17.42%	39.65%
India	India: Interest credit under interest subvention scheme for rupee export credit increased from 2% to 3%	No	2013	2014	319	105	17.27%	39.30%
India	India: 2010-11 supplement to the foreign trade policy 2009-14	No	2010	2015	148	63	17.15%	39.02%
China	China: VAT rebate of 15 percent for textile products	Yes	2009	-	125	54	16.88%	38.40%
India	India: Incentives for leather products, garments exported to EU and USA	Yes	2009	-	39	34	15.23%	34.66%
India	India: Temporary incentive for exports of readymade garments to EU and USA	No	2010	2010	32	29	15.02%	34.17%
Brazil	Brazil: Reform of the national Export Financing Programme PROEX	Yes	2014	-	572	128	9.72%	20.43%
India	India: Expansion of product and market range for export subsidy under Foreign Trade Policy 2009-14	No	2013	2015	107	46	8.48%	19.30%
China	China: VAT rebates for more than 2600 products	Yes	2009	-	339	115	5.97%	13.59%

BRICS member responsible	Title of measure in the GTA database	Measure in force in June 2015?	Year measure implemented	Year measure lapsed, if any	Number of 4-digit tariff lines affected	Number of tariff lines where implementer competes with a LDC in a third market in the year prior to implementation	Percentage of all LDC exports exposed to this export incentive	Percentage of non-commodity LDC exports exposed to this export incentive
Brazil	Brazil: Reestablishment of REINTEGRA tax refund program for exporters	Yes	2014	-	574	106	5.97%	13.59%
Brazil	Brazil: Special tax refund programme REINTEGRA for exporters of locally produced manufactured goods	No	2011	2013	572	107	5.62%	12.79%
India	India: Interest subvention scheme for rupee export credit extended to additional sectors	No	2010	2011	49	32	4.45%	10.13%
Brazil	Brazil: new credit line for exports of consumer goods	No	2010	2011	166	45	4.11%	9.23%
India	India: New products added under market linked focus product scheme from 1 January 2010	No	2010	2014	26	15	2.85%	4.53%
India	India: Additional incentives under export schemes of the Foreign Trade Policy 2009-14	No	2012	2015	97	40	2.42%	5.50%
China	China: Increased VAT rebates for exports of food, mineral, chemical and wood products	Yes	2008	-	88	25	2.40%	5.47%
China	China: Increased VAT rebates for food, textiles, wood products, metals, chemicals and machinery	Yes	2008	-	242	67	2.32%	5.29%

BRICS member responsible	Title of measure in the GTA database	Measure in force in June 2015?	Year measure implemented	Year measure lapsed, if any	Number of 4-digit tariff lines affected	Number of tariff lines where implementer competes with a LDC in a third market in the year prior to implementation	Percentage of all LDC exports exposed to this export incentive	Percentage of non-commodity LDC exports exposed to this export incentive
India	India: Exemption from excise duty for exporters under Focus Product Scheme	No	2012	2015	270	91	2.23%	5.08%
Brazil	Brazil: Extension of the Brazilian Drawback System	Yes	2010	-	84	33	2.13%	4.85%
India	India: Financial assistance to fish exporters	No	2010	2012	7	6	1.96%	4.45%
India	India: Exemption from excise duty for exporters under Focus Market Scheme	No	2012	2015	475	77	1.93%	4.39%
India	India: Lower value addition requirements under Advance Authorization Scheme	Yes	2010	-	1	1	1.89%	4.30%
China	China: Increased VAT rebates for 553 products	Yes	2009	-	78	26	1.03%	2.34%
Russian Federation	Russian Federation: State guarantees for exporters of local industrial goods	Yes	2013	-	314	52	0.99%	1.28%
China	China: New export VAT rebates on pearl-, gem- and some metal-based products	Yes	2015	-	3	2	1.49%	3.38%
India	India: Additional export incentives announced in 2011 under the Foreign Trade Policy 2009-14	No	2011	2015	79	26	0.85%	1.92%
India	India: Temporary benefits to Raw Cotton exporters	No	2009	2009	1	1	0.84%	1.92%

BRICS member responsible	Title of measure in the GTA database	Measure in force in June 2015?	Year measure implemented	Year measure lapsed, if any	Number of 4-digit tariff lines affected	Number of tariff lines where implementer competes with a LDC in a third market in the year prior to implementation	Percentage of all LDC exports exposed to this export incentive	Percentage of non-commodity LDC exports exposed to this export incentive
India	India: Incentives to exporters through Market Linked Focus Programme	No	2010	2011	136	36	0.84%	1.90%
India	India: Reinstatement of Duty Entitlement Passbook Scheme for cotton	Yes	2010	-	2	1	0.82%	1.88%
China	China: Tax refunds for exported vessels	Yes	2010	-	1	1	0.78%	1.77%
India	India: Amendments to export incentive schemes as part of the 2013-14 Supplement to the Foreign Trade Policy 2009-14	No	2013	2015	107	42	0.77%	1.75%
India	India: Amendments to Import and Export Policy and export incentive schemes	Yes	2009	-	6	3	0.62%	1.40%
India	India: Interest subvention scheme on rupee export credit extended to selected textile and engineering goods	No	2013	2014	88	23	0.59%	1.35%
China	China: Increased VAT rebates for exports	Yes	2009	-	122	31	0.54%	1.23%
India	India: Incentives for textile exporters	Yes	2009	-	6	6	0.47%	1.06%
India	India: Increased scope, extension for export incentive schemes	No	2014	2015	25	12	0.46%	1.05%

PART THREE

Crisis-era policy choice by and affecting the BRICS

Note: As the Global Trade Alert database is updated frequently, the above data will change.

Brazil

Table 5.1. Foreign state measures affecting Brazil's commercial interests

Summary statistic of foreign state measures affecting Brazil's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safeguard actions
ALL MEASURES		
Total number of measures affecting Brazil's commercial interests	1383	1299
Total number of foreign measures found to benefit, or involve no change in the treatment of, Brazil's commercial interests	413	411
Total number of announced, currently unimplemented foreign measures that would almost certainly harm Brazil's interests	88	56
Total number of foreign implemented measures that likely harm Brazil's commercial interests	160	159
Total number of foreign measures that have been implemented and which almost certainly discriminate against Brazil's interests	724	675
Percentage of foreign measures that benefited or were neutral towards Brazil's commercial interests	29.9	31.6
Percentage of foreign measures that harm Brazil's commercial interests	63.9	64.2
MEASURES STILL IN FORCE		
Total number of implemented foreign measures still affecting Brazil's commercial interests	898	858
Total number of implemented measures that likely harmed or almost certainly harmed Brazil's commercial interests	646	608
Total number of implemented measures that almost certainly harmed Brazil's commercial interests	536	498
Percentage of foreign measures still in force that harm Brazil's commercial interests	71.9	70.9
PENDING MEASURES		
Total number of pending measures that might affect Brazil's commercial interests	105	73
Total number of pending measures that, if implemented, are likely to harm Brazil's commercial interests	88	56
Percentage of pending foreign measures that threaten Brazil's commercial interests	83.8	76.7
MEASURES NO LONGER IN FORCE		
Total number of implemented measures that affected Brazil's commercial interests and are no longer in force	380	368
Total number of implemented measures that likely harmed or almost certainly harmed Brazil's interests which are no longer in force	236	224
Total number of implemented measures that almost certainly harmed Brazil's commercial interests which are no longer in force	188	177
Percentage of crisis-era foreign measures that harmed Brazil's commercial interests which have been unwound	26.7	26.9
TRADING PARTNERS RESPONSIBLE		
Total number of trading partners that have imposed measures that are currently in force and that harm Brazil's commercial interests	81	81

Table 5.2. Brazil's state measures affecting other jurisdictions' commercial interests

Summary statistic of foreign state measures affecting Brazil's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safe-guard actions
ALL MEASURES		
Total number of announced or implemented measures by Brazil	521	393
Total number of Brazil's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	233	231
Total number of announced measures by Brazil that if implemented would almost certainly harm foreign interests	38	3
Total number of implemented measures by Brazil that likely harm foreign interests	28	28
Total number of Brazil's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	222	131
Percentage of Brazil's measures that harm foreign commercial interests	48	40.5
MEASURES STILL IN FORCE		
Total number of Brazil's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	125	123
Total number of Brazil's measures that have been implemented and are likely to harm foreign commercial interests	21	21
Total number of Brazil's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	182	101
Percentage of Brazil's measures still in force that harm foreign commercial interests	61.9	49.8
COMMERCE AFFECTED		
Total number of 4-digit tariff lines affected by measures implemented by Brazil that harm foreign interests (maximum 1229)	976	975
Total number of 2-digit sectors affected by measures implemented by Brazil that harm foreign commercial interests (maximum 69)	58	58
Total number of trading partners affected by measures implemented by Brazil that harm foreign commercial interests	210	209

China

Table 5.3. Foreign state measures affecting China's commercial interests

Summary statistic of foreign state measures affecting China's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safeguard actions
ALL MEASURES		
Total number of measures affecting China's commercial interests	3282	2364
Total number of foreign measures found to benefit, or involve no change in the treatment of, China's commercial interests	820	818
Total number of announced, currently unimplemented foreign measures that would almost certainly harm China's interests	312	94
Total number of foreign implemented measures that likely harm China's commercial interests	233	230
Total number of foreign measures that have been implemented and which almost certainly discriminate against China's interests	1922	1227
Percentage of foreign measures that benefited or were neutral towards China's commercial interests	25	34.6
Percentage of foreign measures that harm China's commercial interests	65.7	61.6
MEASURES STILL IN FORCE		
Total number of implemented foreign measures still affecting China's commercial interests	2266	1672
Total number of implemented measures that likely harmed or almost certainly harmed China's commercial interests	1747	1155
Total number of implemented measures that almost certainly harmed China's commercial interests	1562	972
Percentage of foreign measures still in force that harm China's commercial interests	77.1	69.1
PENDING MEASURES		
Total number of pending measures that might affect China's commercial interests	339	121
Total number of pending measures that, if implemented, are likely to harm China's commercial interests	312	94
Percentage of pending foreign measures that threaten China's commercial interests	92	77.7
MEASURES NO LONGER IN FORCE		
Total number of implemented measures that affected China's commercial interests and are no longer in force	680	574
Total number of implemented measures that likely harmed or almost certainly harmed China's interests which are no longer in force	405	299
Total number of implemented measures that almost certainly harmed China's commercial interests which are no longer in force	360	255
Percentage of crisis-era foreign measures that harmed China's commercial interests which have been unwound	18.8	20.5
TRADING PARTNERS RESPONSIBLE		
Total number of trading partners that have imposed measures that are currently in force and that harm China's commercial interests	102	98

Table 5.4. China's state measures affecting other jurisdictions' commercial interests

Summary statistic of foreign state measures affecting China's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safe-guard actions
ALL MEASURES		
Total number of announced or implemented measures by China	322	255
Total number of China's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	100	100
Total number of announced measures by China that if implemented would almost certainly harm foreign interests	18	5
Total number of implemented measures by China that likely harm foreign interests	45	45
Total number of China's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	159	105
Percentage of China's measures that harm foreign commercial interests	63.4	58.8
MEASURES STILL IN FORCE		
Total number of China's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	80	80
Total number of China's measures that have been implemented and are likely to harm foreign commercial interests	33	33
Total number of China's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	125	83
Percentage of China's measures still in force that harm foreign commercial interests	66.4	59.2
COMMERCE AFFECTED		
Total number of 4-digit tariff lines affected by measures implemented by China that harm foreign interests (maximum 1229)	933	929
Total number of 2-digit sectors affected by measures implemented by China that harm foreign commercial interests (maximum 69)	61	61
Total number of trading partners affected by measures implemented by China that harm foreign commercial interests	201	200

India

Table 5.5. Foreign state measures affecting India's commercial interests

Summary statistic of foreign state measures affecting India's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safeguard actions
ALL MEASURES		
Total number of measures affecting India's commercial interests	1718	1558
Total number of foreign measures found to benefit, or involve no change in the treatment of, India's commercial interests	585	584
Total number of announced, currently unimplemented foreign measures that would almost certainly harm India's interests	132	70
Total number of foreign implemented measures that likely harm India's commercial interests	176	175
Total number of foreign measures that have been implemented and which almost certainly discriminate against India's interests	829	733
Percentage of foreign measures that benefited or were neutral towards India's commercial interests	34.1	37.5
Percentage of foreign measures that harm India's commercial interests	58.5	58.3
MEASURES STILL IN FORCE		
Total number of implemented foreign measures still affecting India's commercial interests	1152	1074
Total number of implemented measures that likely harmed or almost certainly harmed India's commercial interests	797	720
Total number of implemented measures that almost certainly harmed India's commercial interests	664	587
Percentage of foreign measures still in force that harm India's commercial interests	69.2	67
PENDING MEASURES		
Total number of pending measures that might affect India's commercial interests	152	90
Total number of pending measures that, if implemented, are likely to harm India's commercial interests	132	70
Percentage of pending foreign measures that threaten India's commercial interests	86.8	77.8
MEASURES NO LONGER IN FORCE		
Total number of implemented measures that affected India's commercial interests and are no longer in force	416	396
Total number of implemented measures that likely harmed or almost certainly harmed India's interests which are no longer in force	205	185
Total number of implemented measures that almost certainly harmed India's commercial interests which are no longer in force	165	146
Percentage of crisis-era foreign measures that harmed India's commercial interests which have been unwound	20.4	20.4
TRADING PARTNERS RESPONSIBLE		
Total number of trading partners that have imposed measures that are currently in force and that harm India's commercial interests	97	96

Table 5.6. India's state measures affecting other jurisdictions' commercial interests

Summary statistic of foreign state measures affecting India's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safe-guard actions
ALL MEASURES		
Total number of announced or implemented measures by India	676	475
Total number of India's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	173	172
Total number of announced measures by India that if implemented would almost certainly harm foreign interests	50	3
Total number of implemented measures by India that likely harm foreign interests	40	40
Total number of India's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	413	260
Percentage of India's measures that harm foreign commercial interests	67	63.2
MEASURES STILL IN FORCE		
Total number of India's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	149	148
Total number of India's measures that have been implemented and are likely to harm foreign commercial interests	34	34
Total number of India's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	342	207
Percentage of India's measures still in force that harm foreign commercial interests	71.6	62
COMMERCE AFFECTED		
Total number of 4-digit tariff lines affected by measures implemented by India that harm foreign interests (maximum 1229)	1174	1173
Total number of 2-digit sectors affected by measures implemented by India that harm foreign commercial interests (maximum 69)	51	51
Total number of trading partners affected by measures implemented by India that harm foreign commercial interests	212	211

Russian Federation

Table 5.7. Foreign state measures affecting Russia's commercial interests

Summary statistic of foreign state measures affecting Russia's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safeguard actions
ALL MEASURES		
Total number of measures affecting Russia's commercial interests	1189	1090
Total number of foreign measures found to benefit, or involve no change in the treatment of, Russia's commercial interests	364	364
Total number of announced, currently unimplemented foreign measures that would almost certainly harm Russia's interests	81	38
Total number of foreign implemented measures that likely harm Russia's commercial interests	127	127
Total number of foreign measures that have been implemented and which almost certainly discriminate against Russia's interests	619	563
Percentage of foreign measures that benefited or were neutral towards Russia's commercial interests	30.6	33.4
Percentage of foreign measures that harm Russia's commercial interests	62.7	63.3
MEASURES STILL IN FORCE		
Total number of implemented foreign measures still affecting Russia's commercial interests	783	734
Total number of implemented measures that likely harmed or almost certainly harmed Russia's commercial interests	554	505
Total number of implemented measures that almost certainly harmed Russia's commercial interests	462	413
Percentage of foreign measures still in force that harm Russia's commercial interests	70.8	68.8
PENDING MEASURES		
Total number of pending measures that might affect Russia's commercial interests	89	46
Total number of pending measures that, if implemented, are likely to harm Russia's commercial interests	81	38
Percentage of pending foreign measures that threaten Russia's commercial interests	91	82.6
MEASURES NO LONGER IN FORCE		
Total number of implemented measures that affected Russia's commercial interests and are no longer in force	318	311
Total number of implemented measures that likely harmed or almost certainly harmed Russia's interests which are no longer in force	191	184
Total number of implemented measures that almost certainly harmed Russia's commercial interests which are no longer in force	157	150
Percentage of crisis-era foreign measures that harmed Russia's commercial interests which have been unwound	25.6	26.7
TRADING PARTNERS RESPONSIBLE		
Total number of trading partners that have imposed measures that are currently in force and that harm Russia's commercial interests	80	80

Table 5.8. Russia's state measures affecting other jurisdictions' commercial interests

Summary statistic of foreign state measures affecting Russia's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safe-guard actions
ALL MEASURES		
Total number of announced or implemented measures by Russia	659	615
Total number of Russia's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	170	170
Total number of announced measures by Russia that if implemented would almost certainly harm foreign interests	43	31
Total number of implemented measures by Russia that likely harm foreign interests	43	43
Total number of Russia's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	403	371
Percentage of Russia's measures that harm foreign commercial interests	67.7	67.3
MEASURES STILL IN FORCE		
Total number of Russia's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	122	122
Total number of Russia's measures that have been implemented and are likely to harm foreign commercial interests	39	39
Total number of Russia's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	293	284
Percentage of Russia's measures still in force that harm foreign commercial interests	73.1	72.6
COMMERCE AFFECTED		
Total number of 4-digit tariff lines affected by measures implemented by Russia that harm foreign interests (maximum 1229)	864	861
Total number of 2-digit sectors affected by measures implemented by Russia that harm foreign commercial interests (maximum 69)	63	63
Total number of trading partners affected by measures implemented by Russia that harm foreign commercial interests	169	167

South Africa

Table 5.9. Foreign state measures affecting South Africa's commercial interests

Summary statistic of foreign state measures affecting South Africa's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safeguard actions
ALL MEASURES		
Total number of measures affecting South Africa's commercial interests	1079	1033
Total number of foreign measures found to benefit, or involve no change in the treatment of, South Africa's commercial interests	364	363
Total number of announced, currently unimplemented foreign measures that would almost certainly harm South Africa's interests	69	53
Total number of foreign implemented measures that likely harm South Africa's commercial interests	137	137
Total number of foreign measures that have been implemented and which almost certainly discriminate against South Africa's interests	512	483
Percentage of foreign measures that benefited or were neutral towards South Africa's commercial interests	33.7	35.1
Percentage of foreign measures that harm South Africa's commercial interests	60.1	60
MEASURES STILL IN FORCE		
Total number of implemented foreign measures still affecting South Africa's commercial interests	709	685
Total number of implemented measures that likely harmed or almost certainly harmed South Africa's commercial interests	488	465
Total number of implemented measures that almost certainly harmed South Africa's commercial interests	391	368
Percentage of foreign measures still in force that harm South Africa's commercial interests	68.8	67.9
PENDING MEASURES		
Total number of pending measures that might affect South Africa's commercial interests	81	65
Total number of pending measures that, if implemented, are likely to harm South Africa's commercial interests	69	53
Percentage of pending foreign measures that threaten South Africa's commercial interests	85.2	81.5
MEASURES NO LONGER IN FORCE		
Total number of implemented measures that affected South Africa's commercial interests and are no longer in force	289	283
Total number of implemented measures that likely harmed or almost certainly harmed South Africa's interests which are no longer in force	158	152
Total number of implemented measures that almost certainly harmed South Africa's commercial interests which are no longer in force	120	114
Percentage of crisis-era foreign measures that harmed South Africa's commercial interests which have been unwound	24.3	24.5
TRADING PARTNERS RESPONSIBLE		
Total number of trading partners that have imposed measures that are currently in force and that harm South Africa's commercial interests	79	79

Table 5.10. South Africa's state measures affecting other jurisdictions' commercial interests

Summary statistic of foreign state measures affecting South Africa's commercial interests	All measures	All measures except anti-dumping, anti-subsidy, and safe-guard actions
ALL MEASURES		
Total number of announced or implemented measures by South Africa	166	130
Total number of South Africa's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	56	55
Total number of announced measures by South Africa that if implemented would almost certainly harm foreign interests	12	5
Total number of implemented measures by South Africa that likely harm foreign interests	7	7
Total number of South Africa's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	91	63
Percentage of South Africa's measures that harm foreign commercial interests	59	53.8
MEASURES STILL IN FORCE		
Total number of South Africa's measures found to benefit or involve no change in the treatment of other jurisdictions' commercial interests	55	54
Total number of South Africa's measures that have been implemented and are likely to harm foreign commercial interests	7	7
Total number of South Africa's measures that have been implemented and which almost certainly discriminate against foreign commercial interests	84	60
Percentage of South Africa's measures still in force that harm foreign commercial interests	62.3	55.4
COMMERCE AFFECTED		
Total number of 4-digit tariff lines affected by measures implemented by South Africa that harm foreign interests (maximum 1229)	243	235
Total number of 2-digit sectors affected by measures implemented by South Africa that harm foreign commercial interests (maximum 69)	38	38
Total number of trading partners affected by measures implemented by South Africa that harm foreign commercial interests	153	153

What trade policy strategy should the BRICS leaders adopt at their forthcoming summit in Ufa, Russia? In 2014, those leaders and their trade ministers focused on fostering commercial ties, establishing a New Development Bank, advocating steps at the WTO and cautioning that mega-regional free trade deals, such as the Trans-Pacific Partnership, should not harm non-members.

At a time when each of the BRICS' exports are falling and when only India is expected to see faster economic growth in 2015 and 2016, this report argues that the trade strategy of the BRICS should be rethought. Greater attention should be paid to the unilateral actions taken by governments that limit imports and artificially inflate exports.

Using the latest data from the Global Trade Alert, this report shows that, on average, every day since the Global Crisis began the commercial interests of at least one BRICS nation have been harmed by the imposition of a foreign trade distortion.

Moreover, BRICS trade ministers may want to rethink the wisdom of their excusing protectionism imposed by developing countries on the grounds that their economies are deserving of 'special and differential treatment'. This report shows that 'only' a fifth of the trade distortions harming the BRICS were implemented by the leading industrialised countries. There isn't much evidence of BRICS solidarity either, as one third of the hits to BRICS commercial interests come from other BRICS members.

The report recommends that the BRICS members show global leadership on protectionism by exercising restraint individually and collectively. This recommendation is backed up by a slew of data on related matters that may be of interest to trade policy analysts, scholars, journalists and international officials.

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