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Mend It, Don't End It: The Case for Upgrading the G20's Pledge on Protectionism

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Global Services Forum, 14. September 2018

Buenos Aires

The image shows the cover of a report. At the top right is the T20 ARGENTINA 2018 logo. The main title is 'TRADE, INVESTMENT AND TAX COOPERATION' followed by 'Mend It, Don't End It: The case for upgrading the G20's pledge on protectionism'. Below the title is a list of authors and their affiliations. At the bottom are logos for CARI, CONSEJO ARGENTINO PARA LAS RELACIONES INTERNACIONALES, and CIPPEC.

T20
ARGENTINA 2018

TRADE, INVESTMENT AND TAX
COOPERATION

Mend It, Don't End It:
The case for upgrading the
G20's pledge on protectionism

Simon J. Evenett, University of St. Gallen
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Eduardo Bianchi, Instituto Universitario Escuela Argentina de Negocios
Carlos Primo Braga, Evian Group, IMD
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Kamala Dawar, University of Sussex
Matthias Helble, Asian Development Bank Institute
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Aki Tamura, National Graduate Institute for Policy Studies
Tu Xinquan, University of International Business and Economics

CARI / CONSEJO ARGENTINO PARA LAS
RELACIONES INTERNACIONALES CIPPEC

The G20 Pledge

“We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty.”

First G20 Leaders Summit Declaration, November 2008

“We will not repeat the historic mistakes of protectionism of previous eras.”

Second G20 Leaders Summit Declaration, London, April 2009

The origins of the G20 Pledge

B. Eichengreen, D.A. Irwin / *J. Int. Econ.* 38 (1995) 1–24

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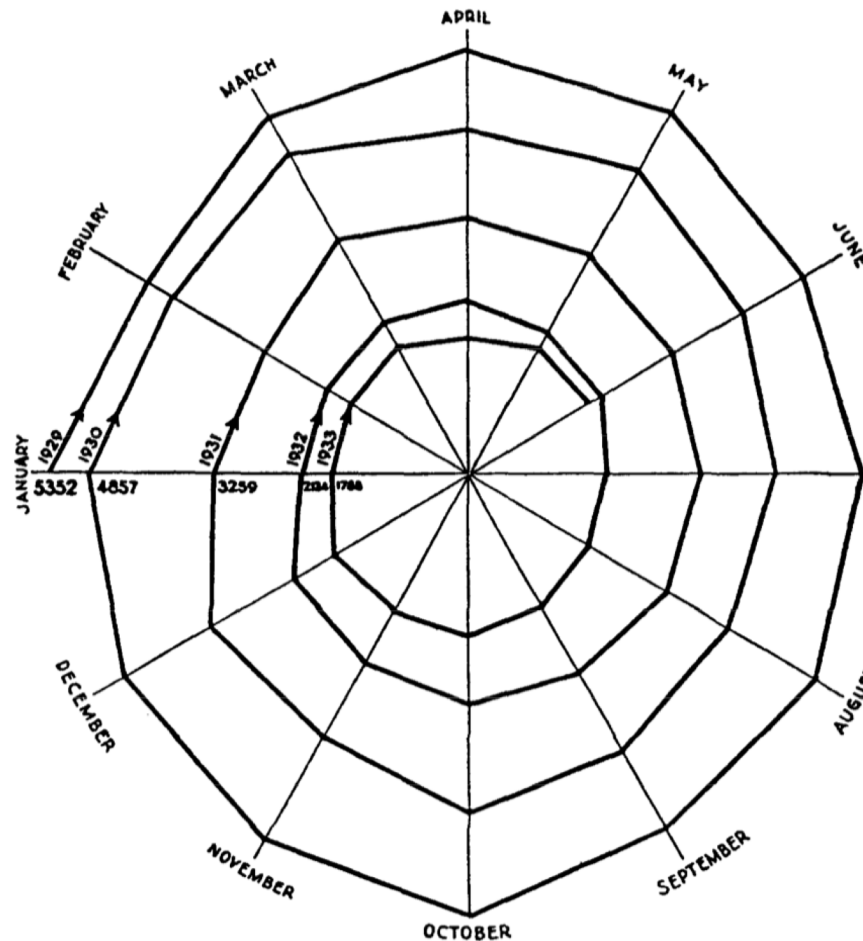
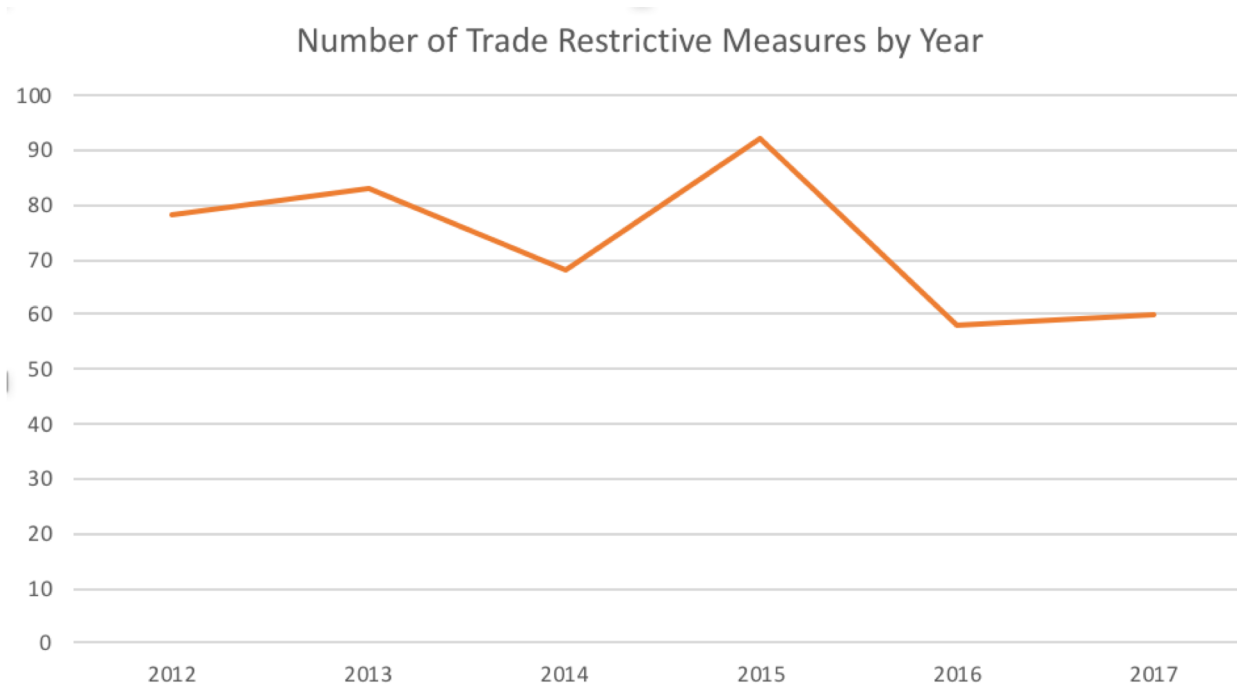


Fig. 1. The contracting spiral of world trade, month by month, January 1929–June 1933 (in millions of U.S. (gold) dollars).

Exercise in Transparency: Monitoring of Protectionism

Official Monitoring

Source: WTO Report on G20 Trade Measures (2018)



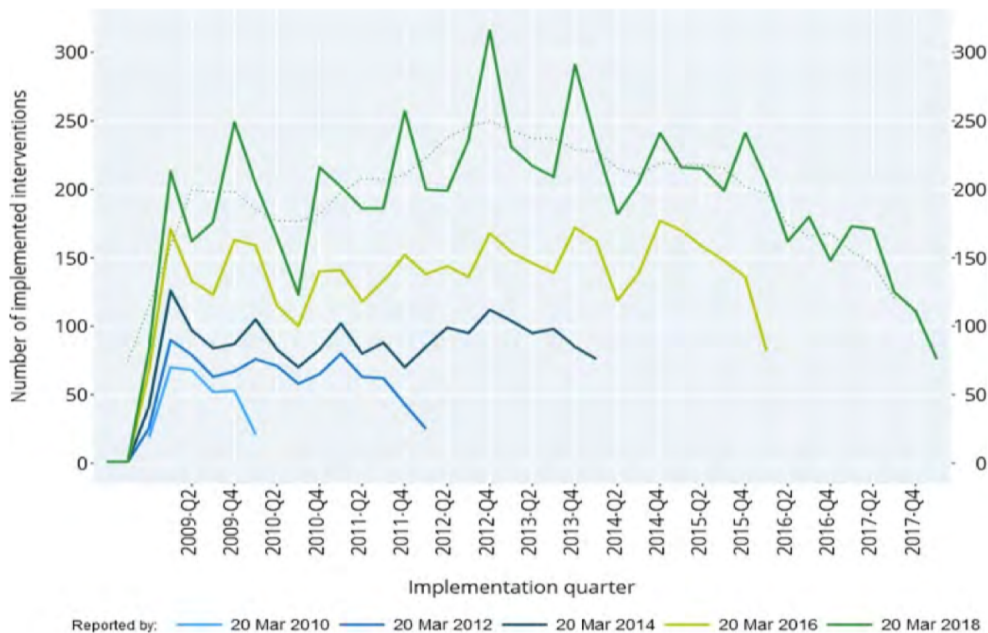
Share of affected trade has consistently been found to be below 1%

The Great Divide: Monitoring of Protectionism

Unofficial Monitoring

Source: Global Trade Alert

Figure 1. Persistent monitoring of protectionism matters—evidence suggests that each quarter G20 members implement new 200-250 distortions to global commerce.

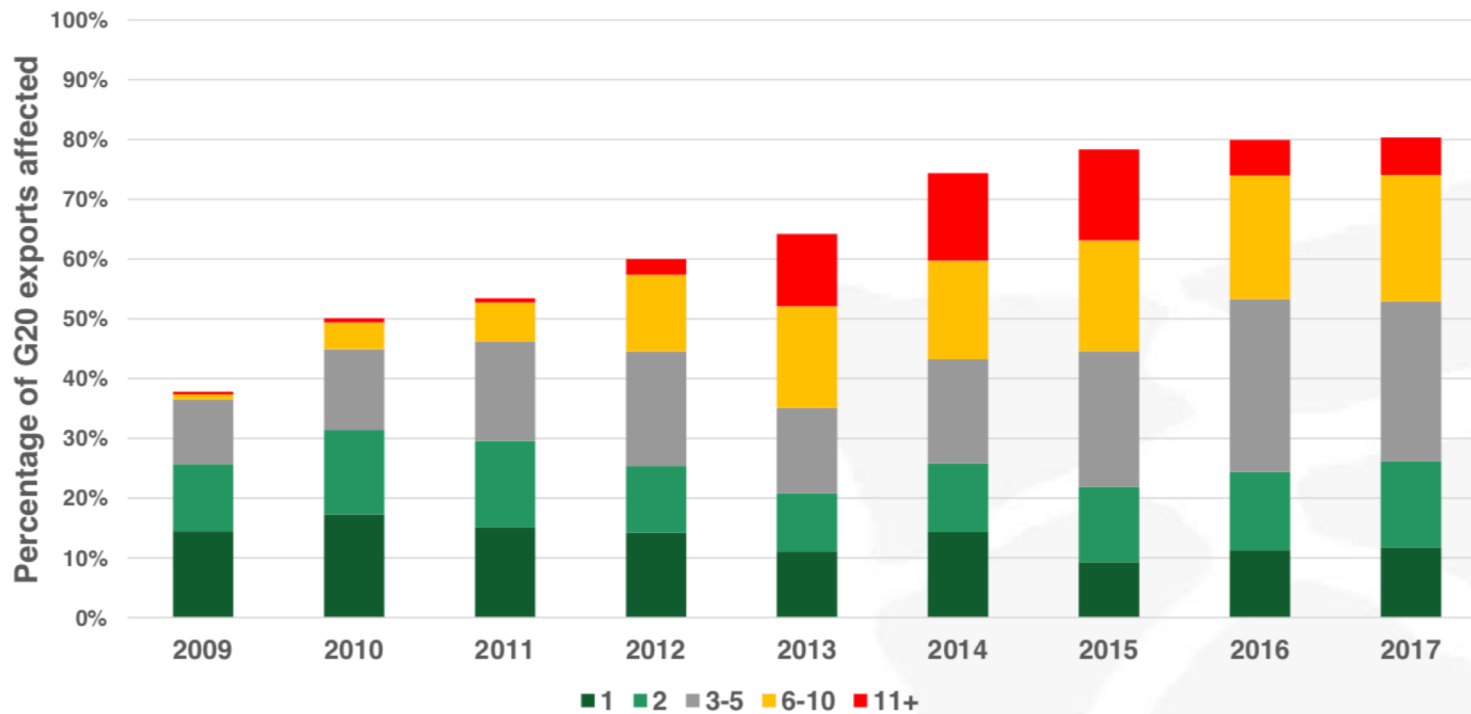


The Great Divide: Monitoring of Protectionism

How to explain these differences?

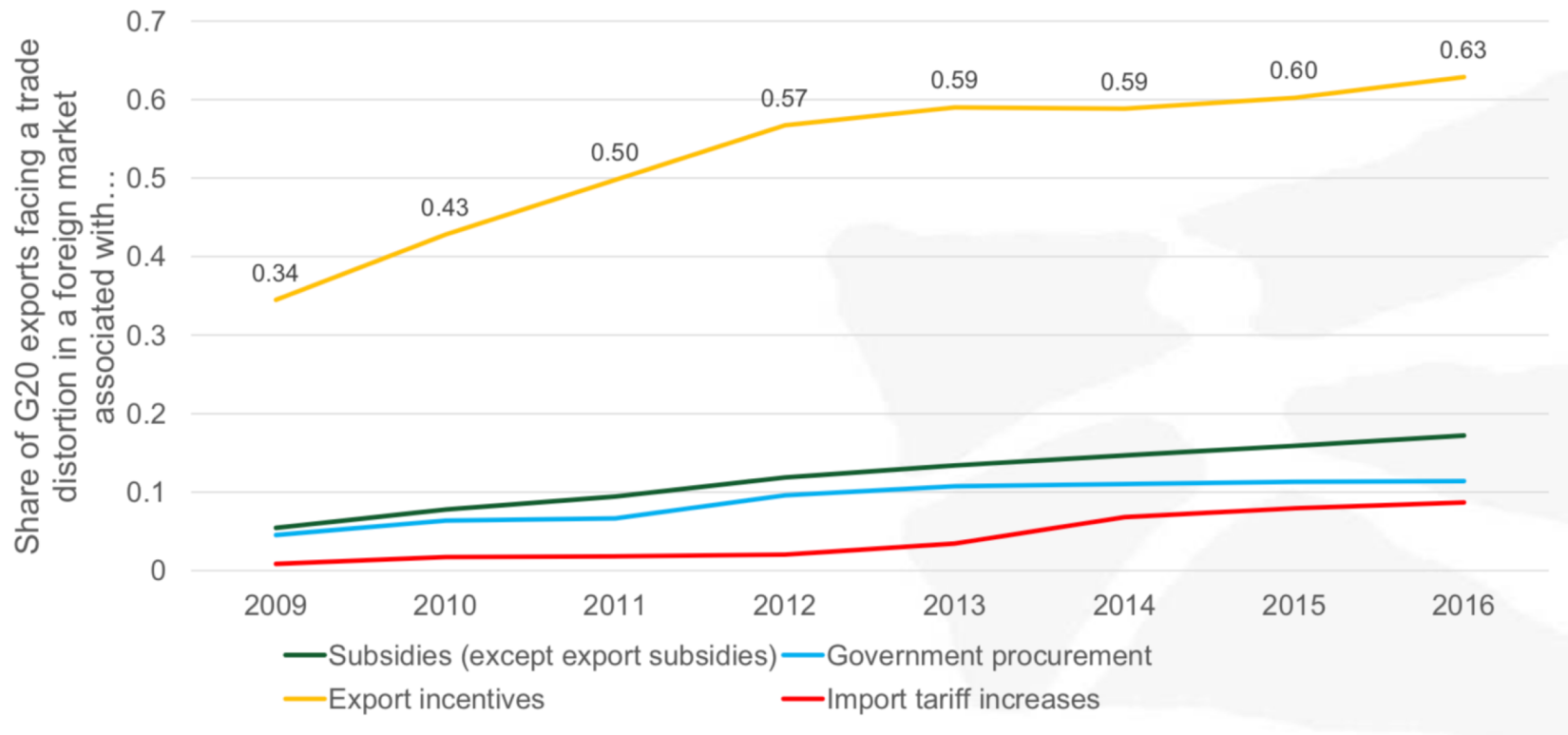
- WTO headline number only focus on narrow range of traditional import and export barriers (1930s focus)
- Subsidies reporting is not part of headline numbers and has been dropped in 2017 due to lack of reporting by G20 members
- Trade remedies are not being counted for headline numbers
- No updating of totals as new information becomes available

Not your grandparents' protectionism!



Number of trade distortions faced

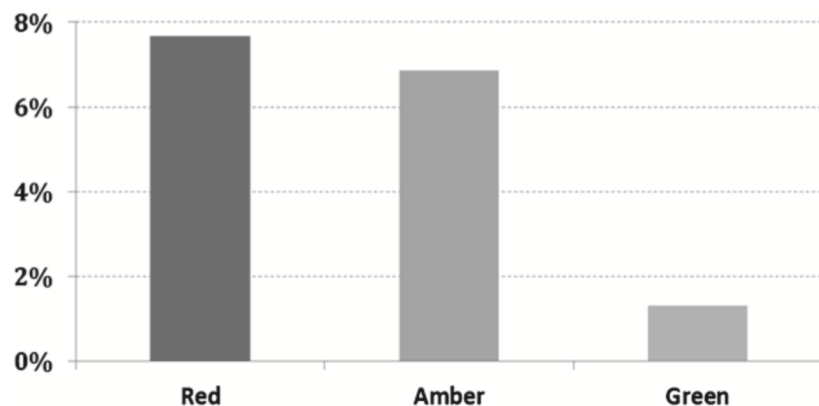
Not your grandparents' protectionism!



... and services?

The GTA database

Figure 13.3: The incidence of services measures in total number of GTA policy instruments post-2009, in percent

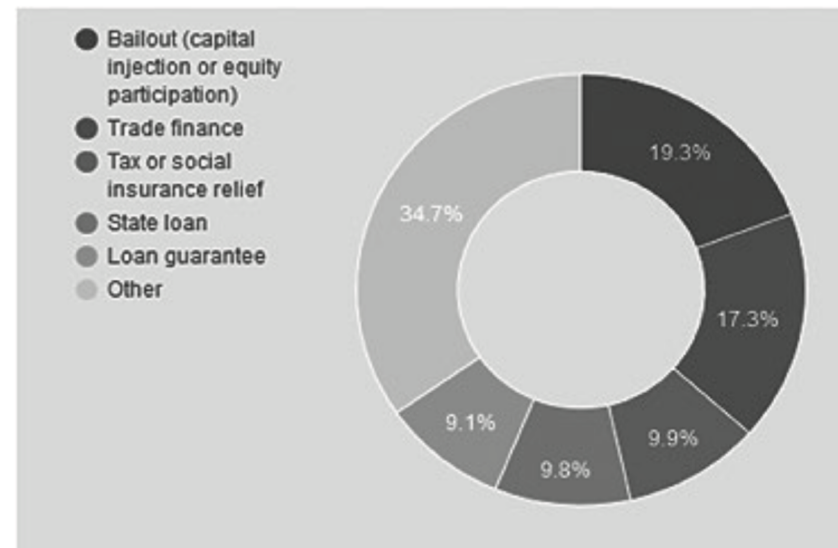


Source: Global Trade Alert database, accessed online at <http://www.globaltradealert.org>, March 2018.

- Low overall occurrence of services measures in GTA database
- Share of restrictive measures higher than that of liberalizing

Source: Cernat, 2018

Figure 13.4: The most frequent protectionist measures worldwide affecting services

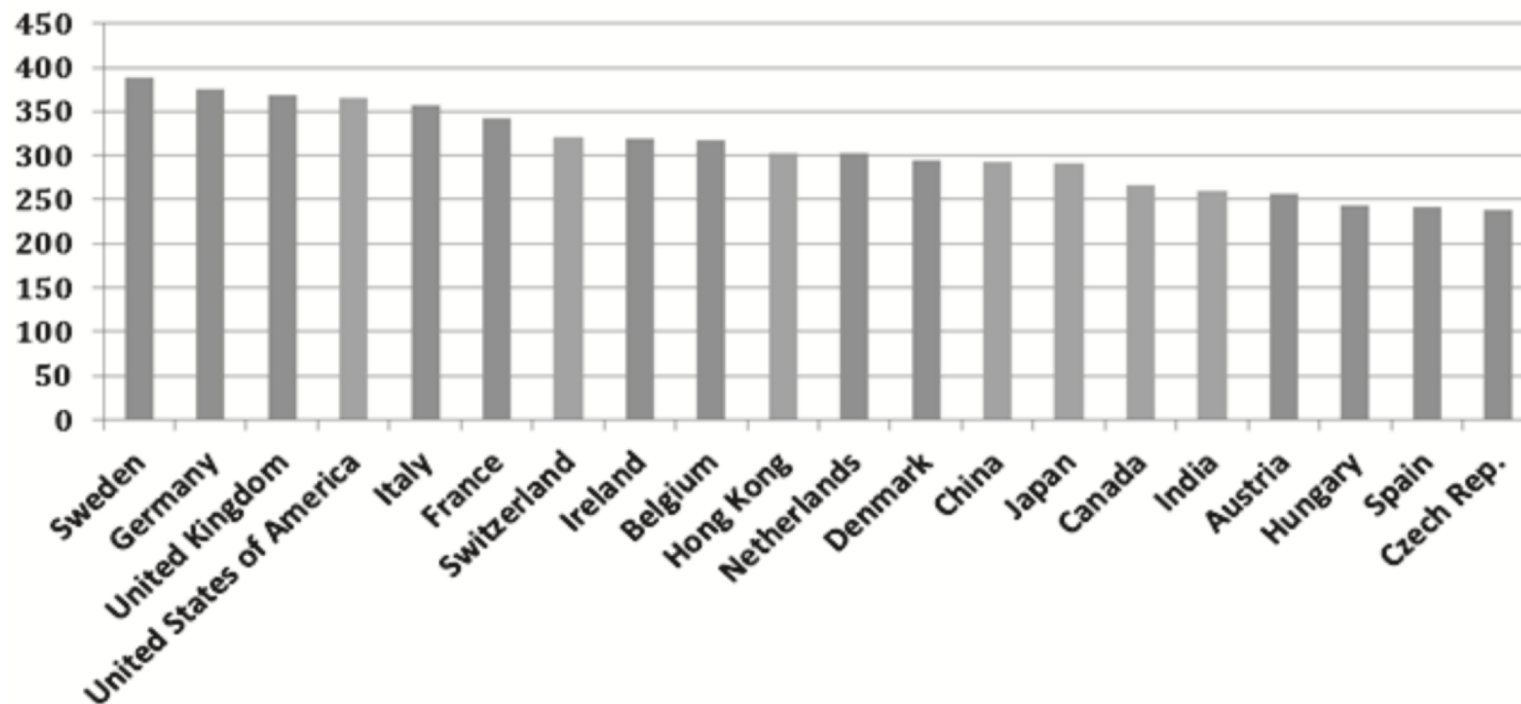


Source: Global Trade Alert database, accessed online at <http://www.globaltradealert.org>, March 2018.

- Fiscal measures of GTA database nice complement to existing STRI databases
- Subsidies have free pass in GATS and most FTAs!

The GTA database

Figure 13.6: **Top 20 countries affected by post-crisis services restrictions worldwide**

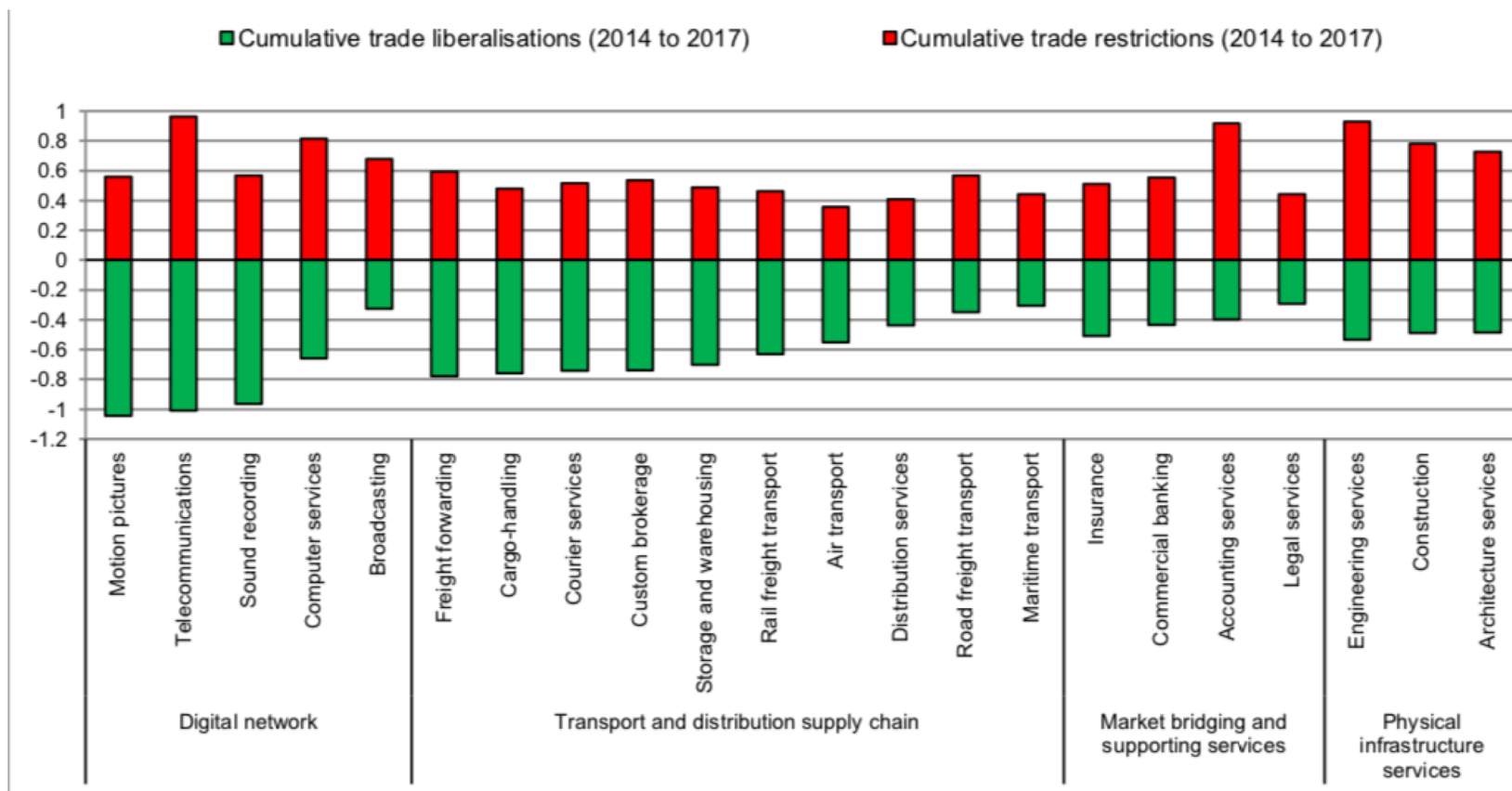


Source: Global Trade Alert database, accessed online at <http://www.globaltradealert.org>, March 2018.

Source: Cernat, 2018

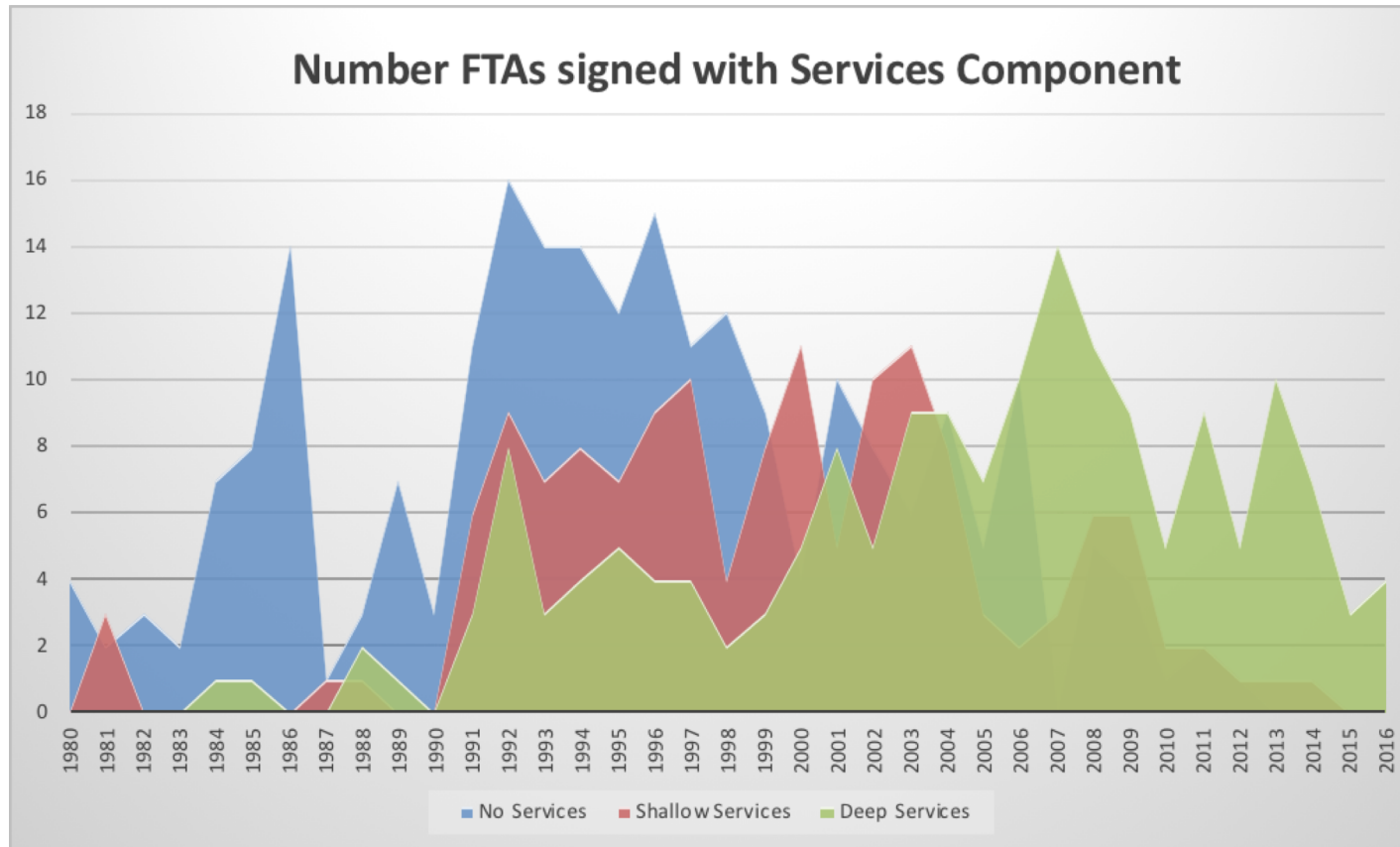
The OECD database

Cumulative impact of policy changes 2014-2017



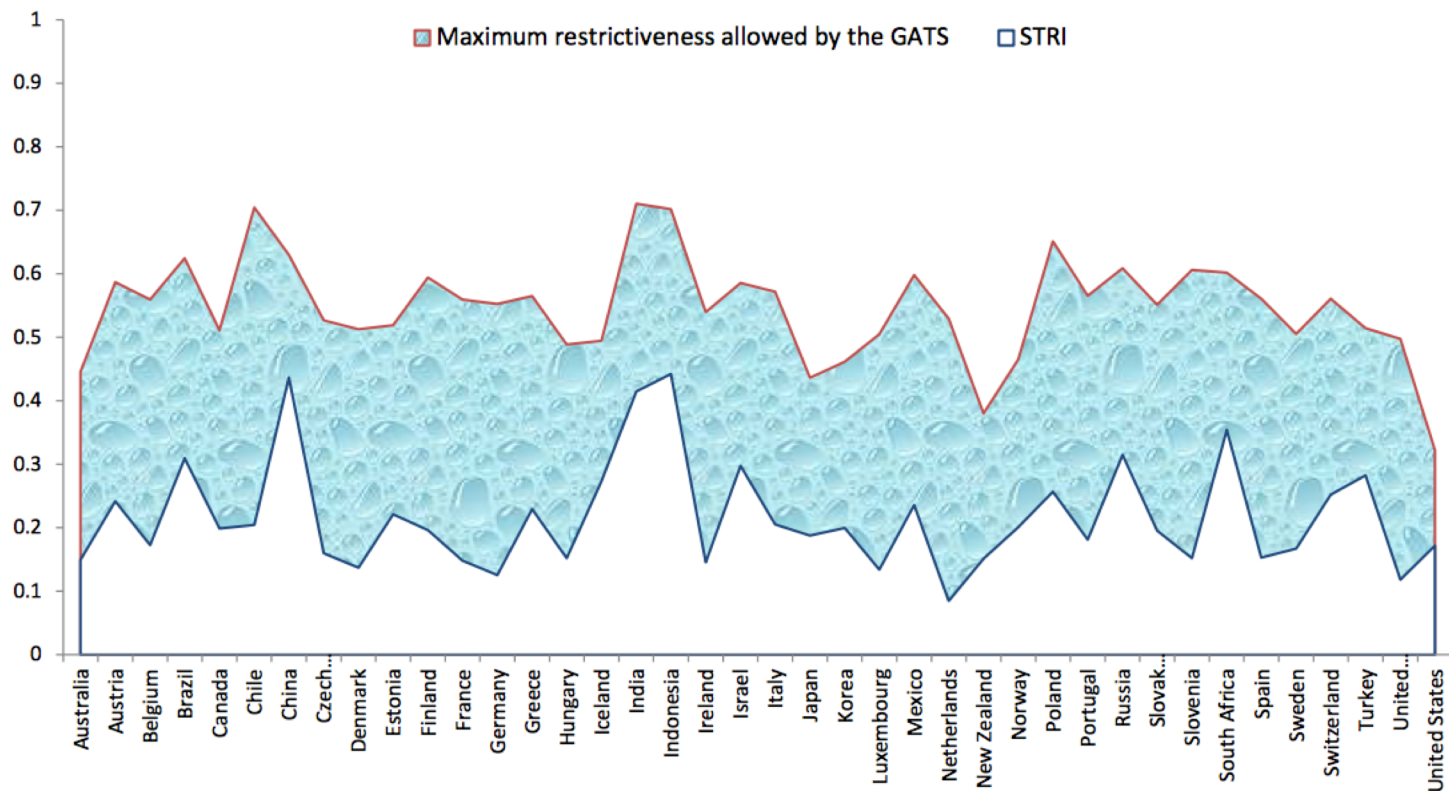
Source: WTO, 2018

Services increasingly popular with FTAs



Source: Destia Project

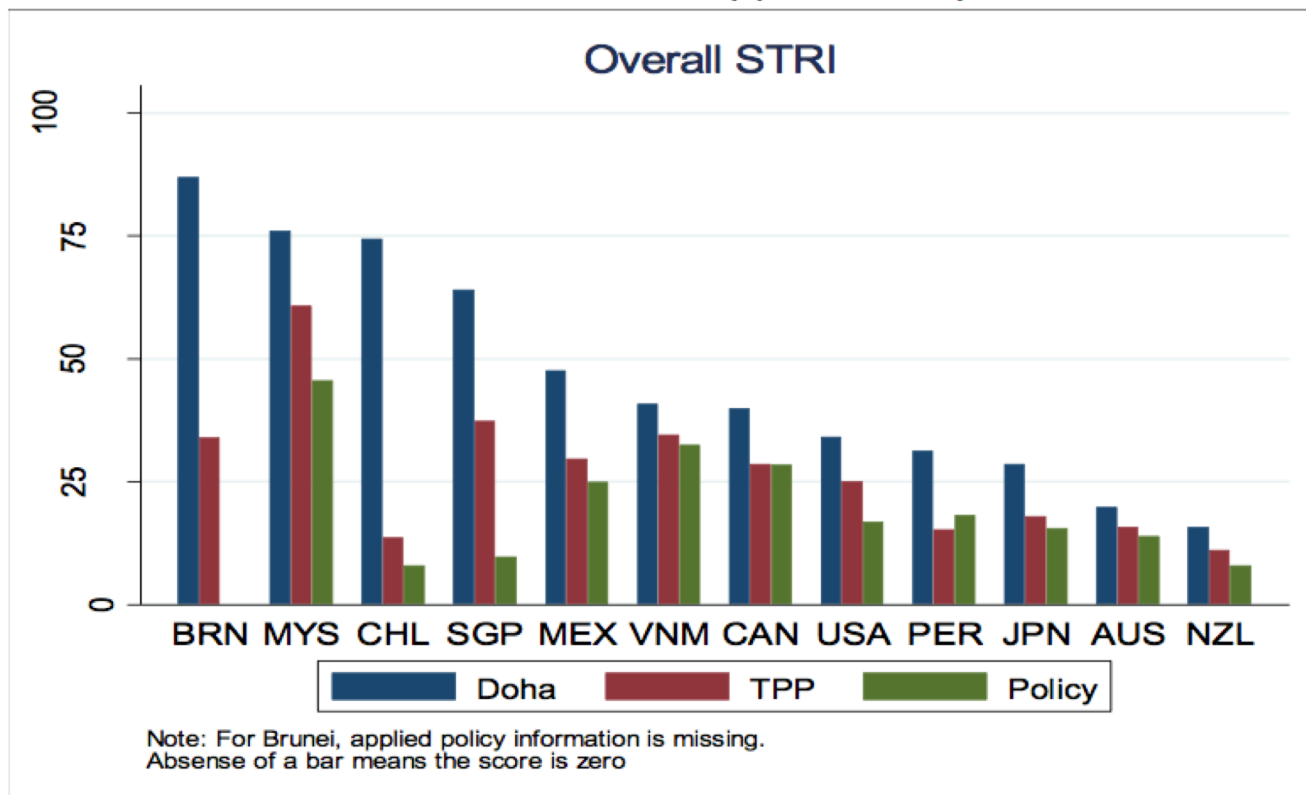
Does GATS make services trade freer?



OECD, 2017

Do other FTAs make services trade freer?

Services Trade Restrictiveness Indices for TPP Countries Doha Offers, TPP Commitments and Applied Policy



Gootiz and Mattoo, 2016

Massive gains?

Expected Gains from TiSA

	low skilled		medium skilled		high skilled	
	experiment A	experiment B	experiment A	experiment B	experiment A	experiment B
Agriculture, Forestry, Fish	0.0	0.0	0.0	0.0	0.0	0.0
Other primary	0.0	0.0	0.0	0.0	0.0	0.0
Processed Food	0.0	0.0	0.0	0.0	0.0	0.0
Textiles, Clothing and Leather	0.0	0.0	0.0	0.0	0.0	0.0
Oil, Gas, Coal	0.0	0.0	0.0	0.0	0.0	0.0
Chemicals, Petrochemicals	0.0	0.0	0.0	0.0	0.0	0.0
Electronic Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Other machinery	0.0	0.0	0.0	0.0	0.0	0.0
Metals	0.0	0.0	0.0	0.0	0.0	0.0
Motor Vehicles	0.0	0.0	0.0	0.0	0.0	0.0
Other Transport Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Lumber, Wood, Paper	0.0	0.0	0.0	0.0	0.0	0.0
Other Manufactures	0.0	0.0	0.0	0.0	0.0	0.0
Water Transport	-0.3	-0.5	-0.3	-0.5	-0.3	-0.5
Air Transport	0.0	0.0	0.0	0.0	0.0	0.0
Other Transport	0.0	-0.1	0.0	-0.1	0.0	-0.1
Communications	0.0	0.0	0.0	0.0	0.0	0.0
	low skilled		medium skilled		high skilled	
Finance	0.0	0.0	0.0	0.0	0.0	0.0
Insurance	0.2	0.2	0.2	0.2	0.2	0.2
Business, professional services	0.0	0.0	0.0	0.0	0.0	0.0
ICT services	0.0	0.0	0.0	-0.1	0.0	0.0
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Public Services	0.0	0.0	0.0	0.0	0.0	0.0
Displacement index	0.0	0.0	0.0	0.1	0.0	0.0

Recommendations

- G20 Leaders should adopt text that condemns *any discriminatory policy intervention, unless a widely-accepted exception is invoked that is justified by evidence, least distortive, implemented only after completing established procedures, and subject to timely review.*
- G20 Leaders should also adopt text calling on *relevant international organisations to redouble their monitoring efforts by expanding their scope in line with this principle-based approach and by ramping up their coverage of the services and intangible economies.*

Annex I

UN MAST chapter	Class of discriminatory policy instrument	Percentage of G20 exports facing given trade distortion in overseas markets in given year									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	20-Mar-14
	All	40.72%	57.06%	59.96%	65.07%	68.36%	74.73%	78.32%	79.85%	80.55%	80.71%
P7	Export subsidies	34.87%	50.14%	53.66%	59.80%	62.55%	68.43%	73.01%	74.89%	75.49%	75.43%
L	Subsidies (excluding P7 and P8)	5.43%	8.24%	9.69%	11.89%	13.35%	14.84%	15.60%	16.93%	18.09%	18.79%
P8	Export credits	2.39%	3.06%	2.80%	3.01%	14.64%	4.94%	12.38%	15.68%	15.60%	15.63%
	Import tariff increases	0.62%	1.32%	1.23%	1.55%	3.22%	6.54%	6.96%	7.32%	8.39%	8.71%
M	Government procurement	0.65%	1.33%	1.40%	2.05%	2.63%	2.99%	3.49%	3.54%	3.71%	3.83%
E	Non-automatic licensing, quotas	0.63%	0.59%	2.17%	2.56%	2.99%	2.83%	3.06%	3.12%	3.29%	3.51%
	Instrument unclear	0.06%	0.31%	0.39%	0.47%	0.74%	1.62%	3.24%	3.28%	3.33%	3.41%
I	Trade-related investment measures	0.23%	0.77%	0.82%	0.91%	0.93%	1.33%	1.86%	2.34%	2.37%	2.34%
D	Contingent trade protection	0.20%	0.48%	0.70%	0.84%	0.96%	1.06%	1.12%	1.42%	1.60%	1.91%
F	Price control measures	0.43%	0.43%	0.48%	0.54%	0.55%	0.76%	1.07%	1.15%	1.23%	1.23%
G	Finance measures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.05%	0.05%	0.05%