

III. The global economic crisis, contemporary protectionism, and least developed countries

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1. Introduction

As an aftermath of the recent global economic and financial crisis, the incidences of widespread protectionism, although manifested around the world did not escalate to the level experienced in the 1930s. There are competing views among the experts regarding the extent and impact of crisis-era and post-crisis protectionism, mainly because the unconventional and ‘murky’²³ nature of newly introduced trade barriers makes them more difficult to quantify. However, both the latest reports, the European Commission’s “Eighth Report on Potentially Trade Restrictive Measures” (2011a) and the WTO report to the Trade Policy Review Body from the DG on trade-related developments (2011a), admitted that border closing trade restrictions in past six months had increased significantly, particularly compared to the previous periods.

While newly industrialized and developing emerging market economies are most often hit by the rising protectionist waves; the poorest segment of the world, the LDCs are widely affected as well. Studies on state protectionism revealed that the LDCs were not exempted by the crisis-era discriminatory interventions and that their commercial interests were similarly harmed by the border closing state measures (Evenett, ed., 2010b). These show lack of a coherent and systematic international community approach to assistance to LDCs and expose controversial and contradictory aid and other policies towards the development and commercial interest of developing and least developed countries.

In particular, the confusing signaling towards LDCs has worsened during and after the recent financial crisis. This is clearly visible by the nature and extent of the border closing discriminatory measures hurting LDCs. World economic leaders repeatedly pledge in different global forums to ensure their supportive policies towards the economic development of LDCs and helping to enhance their trade capacity through Aid-for-Trade (Aft), Enhanced Integrated Framework (EIF) and other trade facilitation initiatives, on one hand; again implemented various trade restrictive measures raising barriers against products from those poor countries, on the other.

While all countries have been hit, definitely on a varying scale, by the crisis-era and post-crisis state protectionism, the harm done to LDCs was relatively larger because of their inbuilt structural weaknesses and minimal capacity to adjust to such external shocks. The LDCs are predominantly vulnerable to the rising state protectionism due to their weak economic conditions, narrow export basket with high dependence on primary commodities as exportable and limited capacity to diversify. Any changes in the rules of the game of competition- here through imposition of state protectionist measures- hit the manufacturing sectors of the LDCs particularly hard

²³ Term first used to describe crisis-era protectionism by Baldwin and Evenett (2011)

because of their infancy, limited backward linkage supply capacity and lack of competitiveness in internal and external markets.

The purpose of this chapter is to analyze how the contemporary trade protectionism has adversely modified the trade regime and hurt the commercial interest of the LDCs, in particular those in Asia and the Pacific. Investigation of the protectionist pressure targeted towards LDCs also provides a unique opportunity to study the contradictory governments' aid and commercial policies designed to address LDCs development needs. Data on the contemporary trade protectionist measures has been collected from Global Trade Alerts (GTA) database. The economic and trade data are from UNCTAD statistics' official database UNCTADSTAT, IMF World Economic Outlook (WEO) and International Trade Centre (ITC).

BOX 1: CLASSIFICATIONS USED IN THE STUDY

Least developed countries*

In this Report the least developed countries (LDCs) refers to the group 49 countries termed by the United Nations. They are classified according to the classification used by UNCTAD combination of geographical/structural criteria and export specialization, as follows:

Geographical/structural classification

African LDCs and Haiti: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia.

Asian LDCs: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal, Yemen.

Island LDCs: Comoros, Kiribati, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu

Export specialization

Agricultural exporters: Afghanistan, Benin, Burkina Faso, Guinea-Bissau, Kiribati, Liberia, Malawi, Solomon Islands, Somalia, Tuvalu, Uganda.

Manufactures exporters: Bangladesh, Bhutan, Cambodia, Haiti, Lesotho, Nepal.

Mineral exporters: Burundi, Central African Republic, Democratic Republic of the Congo, Guinea, Mali, Mauritania, Mozambique, Niger, Sierra Leone, Zambia.

Mixed exporters: Lao People's Democratic Republic, Madagascar, Myanmar, Senegal, Togo.

Oil (fuel) exporters: Angola, Chad, Equatorial Guinea, Sudan, Timor-Leste, Yemen.

Services exporters: Comoros, Djibouti, Eritrea, Ethiopia, Gambia, Maldives, Rwanda, Samoa, Sao Tome and Principe, United Republic of Tanzania, Vanuatu.

Explanation of GTA classification of different types of Protectionist Measures**

- ▲ ▲ ▲ Refers to the following classifications as per GTA evaluation
- ▲ Red The measure has been implemented and *almost certainly* discriminates against foreign commercial interests.
(i) The measure has been implemented and may involve discrimination against foreign commercial interests; OR
(ii) The measure has been announced or is under consideration and would (if implemented) almost certainly involve discrimination against foreign commercial interests.
- ▲ Amber (i) The measure has been announced and involves liberalisation on a non-discriminatory (i.e., most favoured nation) basis; OR
- ▲ Green (ii) The measure has been implemented and is found (upon investigation) not to be discriminatory; OR
(iii) The measure has been implemented, involves no further discrimination, and improves the transparency of a jurisdiction's trade-related policies.

* Least Developed Countries Report, 2010, p.xv, UNCTAD, Geneva. Note: although Maldives graduated on 1 January 2011, it is still included in this analysis as the country was in the LDCs group for the significant period under investigation.

**Official Website of Global Trade Alert, available at <http://www.globaltradealert.org>

2. Recent economic crisis, recovery and risk of protectionism

Global output and trade flows had started to recover from mid-2009 and particularly world trade rebounded strongly in 2010. The global output grew by 3.6% in 2010, while global trade recorded highest ever annual growth as world merchandise exports in volume terms²⁴ surged by 14.5% and world imports grew by 13.5%. Both the sudden and steep fall during the crisis and robust recovery of world trade compared to output were actually influenced by the worldwide global supply chains and product compositional effects. Trade finance, which dried up severely during the first months of the crisis and mostly rebounded later, supported by various fiscal stimulus measures in many countries also contributed to these steep ups and downs of world trade volume. The growth of global trade, the highest since 1950, was strong enough to support a return to pre-crisis trade values for most economies, but unfortunately by mid 2011 was left out of steam (WTO, 2011b).

2.1. Spread of protectionism during and after the crisis

The steep drop of global trade volume between the third quarter of 2008 and the first quarter of 2009 spread the fear of outbreak of protectionism across the world recalling the experiences during the Great Depressions in the 1870s and in the 1930s. The crises in 1970s and 1980s, although not of equal impact, were also accompanied by a rise in the use of various restrictive state measures. Though protectionist pressures following the recent crisis played a role in trade collapse, policy makers agreed, to some extent, that it was not due to the states *beggar-thy-neighbour* trade policies (Baldwin and Evenett, 2009).

Since 1817, following David Ricardo's famous demonstration of the 'gains from free trade', numerous analyses have confirmed the positive outcomes of free trade. However, protectionist trade policies were there and still exist, though much liberalized as the international trade regime has been institutionalized, first through the creation the GATT and then through the WTO. Empirical evidence showed that economic crises actually act against trade liberalization and provoke protectionist pressure through trade restrictive and retaliatory measures. Expectedly this was confirmed in the last crisis episode. The crisis provoked governments to introduce new trade restrictions in response to the collapse of international trade soon after the onset of the economic downturn. This protectionist pressure begun to decline along with trade recovery in 2010, but unfortunately, stalled economic recovery and uncertain financial regime in many parts of the world in 2011 again signal rise in the state protectionist behaviors.

From the onset of the recent crisis, the Director-General of WTO reports regularly on trade-related developments to its Trade Policy Review Body. The latest WTO report on new trade measures in the period from mid-October 2010 to end-April 2011, first published in June 2011 and then revised in September 2011, reveals that "trade restrictions taken by WTO Members and Observer Governments over the past six months have become more pronounced than in previous periods". During this

²⁴ This means excluding the influence of prices and exchange rates. Note that inconsistency between world's exports and imports growth rates arises mainly because of systemic error or difference in data recording across countries.

period under surveillance, most Member and Observers of the WTO implemented new trade distorting state measures (both export and import measures) and the numbers reveal that the declining trend in protectionism during the previous monitoring period along with quick recovery of international trade seems weekend as the global economy has been again affected by adverse macroeconomics in 2011. Table 1 shows that 184 new protectionist measures were inflicted during the six months under observation compared to 222 new measures over the preceding one year. However, according to the WTO Secretariat calculation newly imposed import restrictive measures including trade remedy investigations, affected 0.53% of total merchandise trade, which was less than 0.80% during the previous six months period. While trade remedy measures were the most used discriminatory tools in previous period, border measures were initiated in the majority of the cases, 42% among the total, in the recent observed period. Trade remedies (36%) and export restrictions (16%) were the other two most frequently used tools to discriminate against foreign commercial interest.

Table 1. Trade protectionist measures during and post-crisis period reported by the WTO Secretariat

Type of protectionist measure	October 2008 to October 2009	November 2009 to mid-October 2010	Mid-October 2010 to April 2011
Trade remedy	184	122	66
Border	105	62	78
Export	20	25	30
Other	15	13	10
Total	324	222	184

Source: WTO document WT/TPR/OV/W/5/Rev.1 of 7 September 2011 and Annex 1

Table 2. Share of world trade covered by import-restricting measures during and post-crisis period calculated by the WTO Secretariat

(Unit: in per cent)

October 2008 to October 2009	November 2009 to May 2010	June 2010 to October 2010	Mid-October 2010 to April 2011
1.01	0.40	0.80	0.53

Source: WTO document WT/TPR/OV/W/5/Rev.1 of 7 September 2011 and Annex 1

The European Commission launched monitoring of potentially trade restrictive measures in the aftermath of the financial and economic crisis in autumn 2008. The Eighth monitoring report published in October 2011 articulates concerns about the rising protectionism across G20. In a press release on the publication of the report, European Union Commissioner Mr. Karel De Gucht expressed that, "Protectionism poses a real threat to the economic recovery. I am concerned to see that the overall picture has not improved and that more trade restrictive measures have been

introduced by our trading partners. The European Union will therefore, in bilateral and multilateral talks, continue to remind its partners to stick to their commitment to reduce trade barriers"(European Union 2011 b).

This Report analyzes new trade measures²⁵ from October 2010 and 1 September 2011 and finds that, "In September 2011, 424 potentially trade restrictive measures remain in force, whereas only 76 were removed to date. In the past twelve months, 131 new measures of potentially restrictive character were introduced, while only 40 old measures were removed within the same period"(European Union, 2011a). The report reveals that, though the European and global trade recovered to its pre-crisis level, compliance with the roll-back commitment of potentially trade-restrictive measures by the G20 countries remains insufficient and slow. At the Toronto summit in June 2010, the G20 leaders renewed their commitment against protectionism until the end of 2013 to "refrain from raising barriers or imposing new barriers to investment or trade in goods and services, imposing new export restrictions or implementing World Trade Organization (WTO)-inconsistent measures to stimulate exports, and commit to rectify such measures as they arise". The report also highlighted concerns about the new industrial policies of many G20 countries, which have fueled the rise in new protectionist measures and resisting removal of trade restrictive measures already in place.

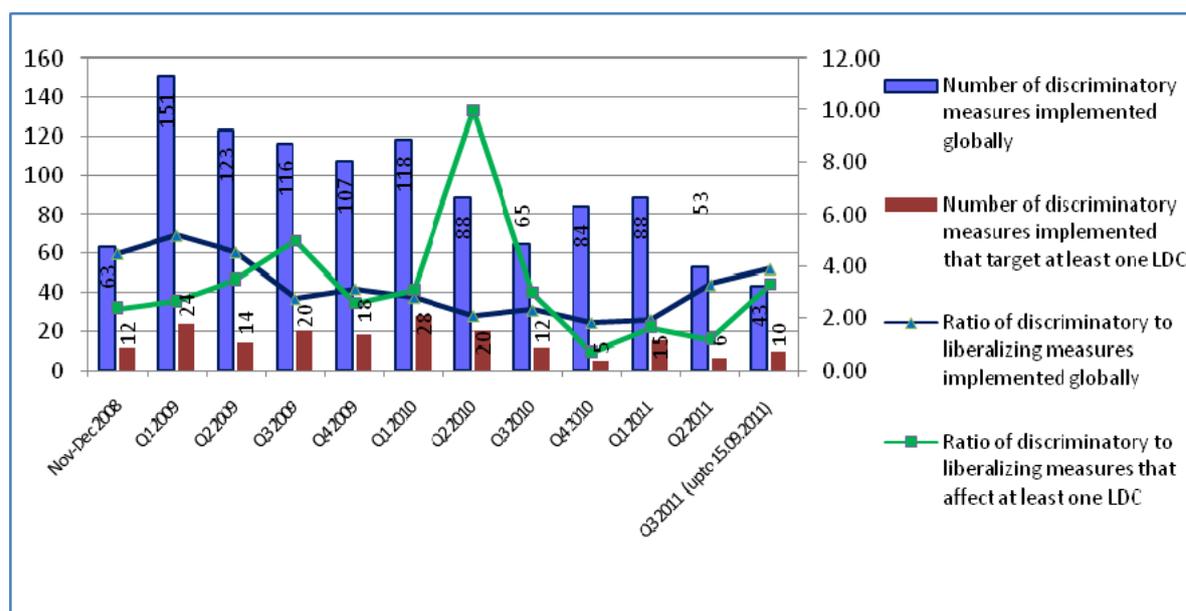
According to Global Trade Alert (GTA) reports, state measures taken during the recent economic crisis that are likely to discriminate against foreign commercial interests, provide a broader picture of crisis era protectionism. GTA maintains an extensive and searchable database of state trade measures enforced since the first crisis-related G20 summit in November 2008 and so far published 10 reports analyzing trade measures taken in response to the crisis. These reports concluded that resolve against protectionism does not stand the test of reality. The analysis of data collected by GTA revealed that, though the last half of 2010 showed declining trend in introducing new trade restrictive measures, resolve faltered as global economic recovery slowed down in the first half of 2011. Between November 2008 when the first crisis related G20 meeting took place and July 2011, 1055 state protectionist measures implemented globally, among which 932 measures were, according to the GTA, almost certainly discriminatory and other 123 implemented measures were likely to have hurt foreign commercial interests. During the same period only 359 liberalizing measures implemented globally, while 318 potentially trade restrictive measures were still remaining in the pipeline. China remains the most targeted country by the crisis era trade protectionism, while Argentina, China, Germany, India, Indonesia and Russian Federation were the worst offenders inflicting most harmful measures hurting others commercial interest. According to GTA, discriminatory state aid/ bail out measures (excluding such measures targeting the financial sectors) followed by unfair trade defense instruments were the most frequently used types of protectionist tools during that investigating period. Extensive use of export taxes or restriction and export subsidy were another major source of concern.

²⁵ The report covers 30 of the EU's main trading partners, including the G20 countries: Algeria, Argentina, Australia, Belarus, Brazil, Canada, China, Ecuador, Egypt, Hong Kong, India, Indonesia, Japan, Kazakhstan, Malaysia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, Russia, Saudi Arabia, South Africa, South Korea, Switzerland, Taiwan, Turkey, Ukraine, USA, and Vietnam.

2.2. LDCs in the wake of the post-crisis protectionism

As is evident from the abovementioned, the strong growth of world trade in 2010 (the volume of world merchandise exports grew by 14.5 percent) failed to refrain governments from imposing new trade restrictive measures. The analysis shows that the ratio of discriminatory to liberalizing measures implemented globally since November 2008 was always positive, meaning that the number of market closing trade measures was always greater than the number of market opening measures. This means that the imposition of discriminatory trade measures against LDCs commercial interests maintained almost similar pace in terms introduction of new protectionist measures from November 2008 to the end of 2010 with the fourth quarter of 2010 being an exception to the trend. The ratio of market closing to market opening state measures reached its peak in second quarter of 2010, while the highest number of protectionist measures implemented against LDCs was in the first quarter of 2010. Thus, it is clear that the case of protectionism targeting LDCs was quite opposite of the rosy assessments of falling protectionism globally during 2010. Figure 1 illustrates the number of harmful measures implemented per quarter globally and against LDCs. It also reveals the ratio of market closing to market opening state measures implemented during that period.

Figure 1. Recent trend signals restoration of state protectionism globally as well as against LDCs



Source: Global Trade Alert, data extracted 15 on September 2011

Slowing and uneven global activity, renewed financial instability and macroeconomic uncertainty negatively affected economic recovery in 2011, more particularly in last quarter. This uncertainty and falling confidence about the economic recovery coupled with unacceptably high unemployment rates in some countries reflected in the state policy responses through imposition of additional trade restrictive interventions. Data presented here support such hypothesis and give clear signal of resurgence of another wave of state protectionism (figure 2). Figure 3 depicts how

protectionism hurting LDCs again got rising momentum from the beginning of 2011 in terms of closing borders to the trade of this poorest segment of the world.

Figure 2. Changes of protectionism, quarter-by-quarter, implemented against LDCs

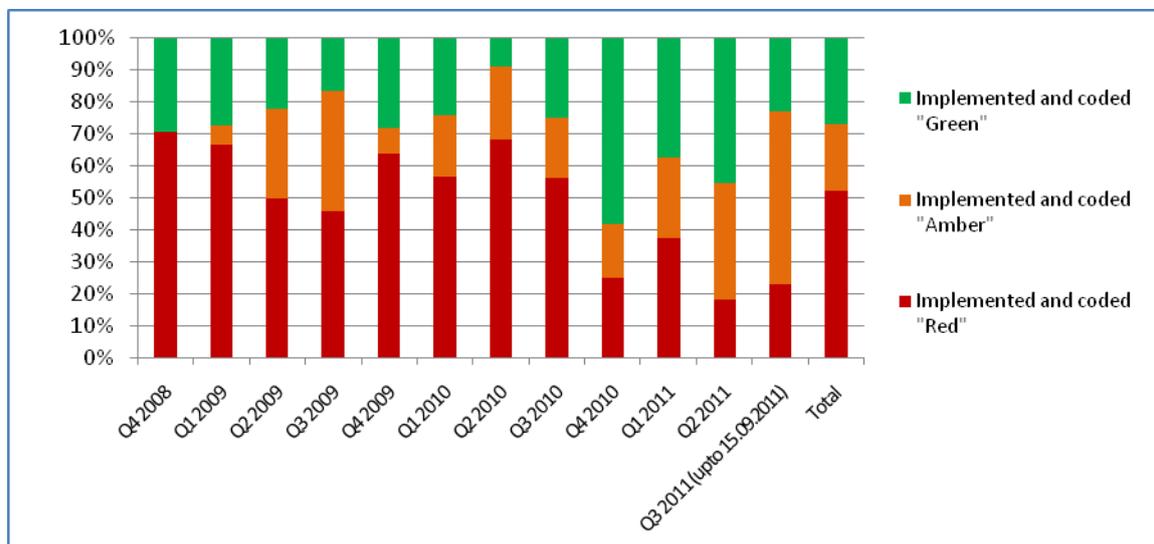
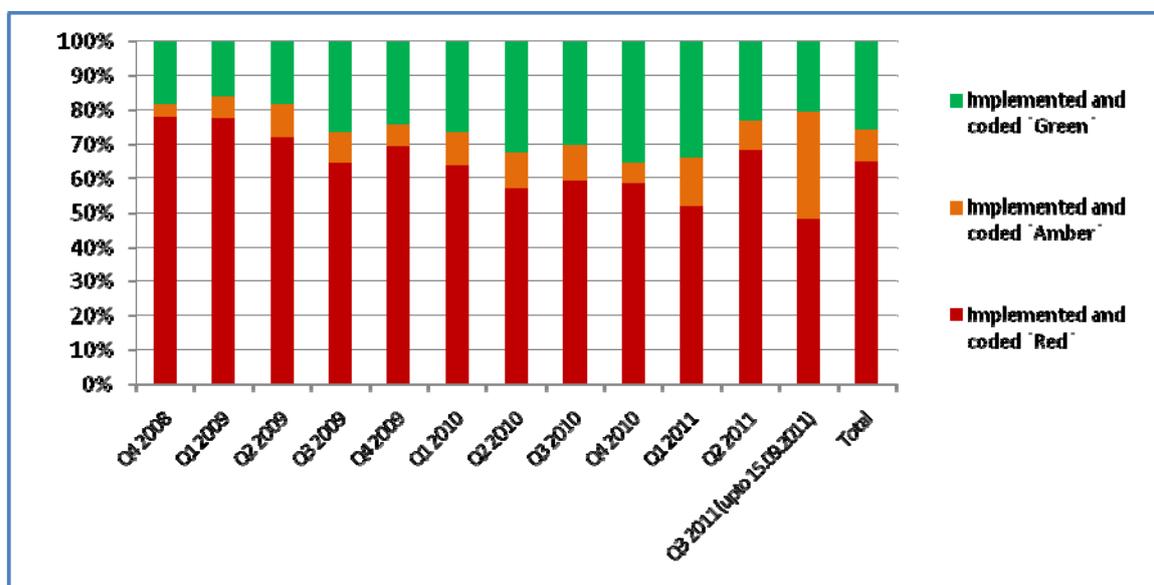


Figure 3. Changes of protectionism, quarter-by-quarter, implemented globally



Source: Global Trade Alert, data extracted 15 on September 2011

3. The landscape of contemporary protectionism against LDCs

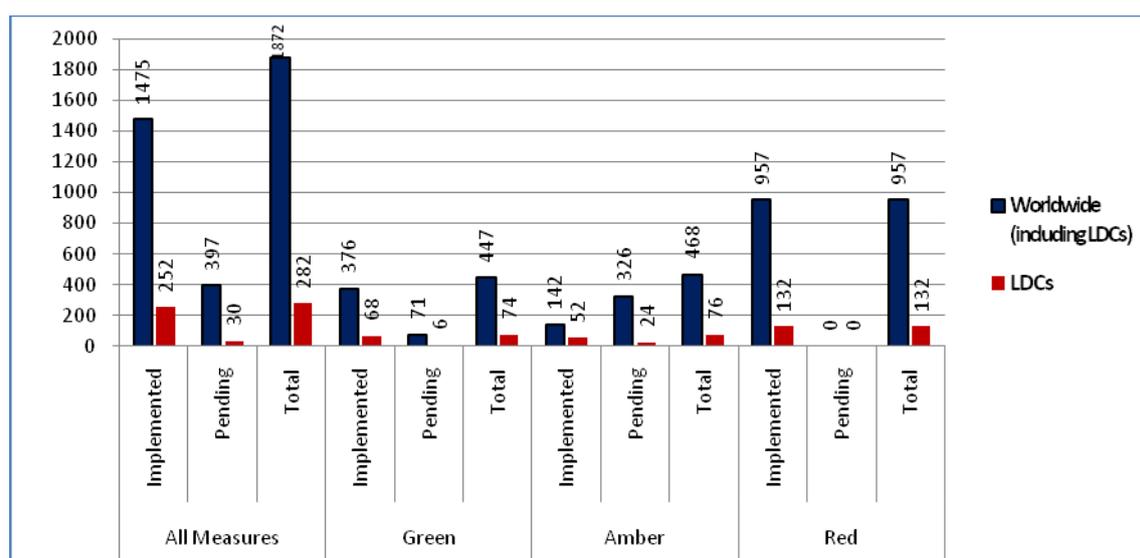
Despite asymmetric burden to LDCs from the recent protectionist actions, little empirical research has been done so far to measure how state trade protectionist measures affected the commercial interests of the LDCs. One review is available in Evenett (2010a) focusing on the harm done to the LDCs by the G20 countries protectionist interventions during the crisis. He showed that G20 countries were

responsible for 70% of the total harmful measures implemented globally against LDCs during the period from November 2008 to October 2010. Until then Tuvalu was the only LDC remained unhurt by the protectionism, while Bangladesh's commercial interests were being targeted particularly hard. Earlier, Mikic (2009) and Evenett and Wermelinger (2010) shortly evaluated the harm done to the LDCs in the Asia-Pacific region, which is host of 14 out of 49 LDCs. The number of border closing measures hurting LDCs clearly exceeded the number of border opening measures benefitting them. Given the number and extent of crisis-era protectionist state measures targeted towards the LDCs and the economic vulnerabilities of this group of poor countries, more detailed analysis of the harm done to their commercial interests is very much desirable.

3.1 Crisis-era and post-crisis state protectionist measures affecting LDCs

The GTA online database (accessible and downloadable at www.globaltradealert.org) recorded and published information on over 2000 government measures initiated worldwide since the first crisis related G20 summit in November 2008 that might affect foreign commercial interest.²⁶ The leaders of major economic powers have repeatedly voiced support to the economic development of LDCs and their better integration into the global trade regime through increased and preferential market access. Yet evidence demonstrates that 184 state measures have been implemented hurting at least one of the LDCs commercial interests during the financial crisis and post crisis period (figure 4). This accounts for 17% of state protectionist measures implemented worldwide. However, the situation appear mildly better looking at the discriminatory measures which have been announced but are yet to be implemented. Only 7% of the protectionist measures in the pipeline would hit at least one LDC's trading interest when / if implemented.

Figure 4. Comparative scenario of crisis-era and post crisis protectionism targeting LDCs and the world



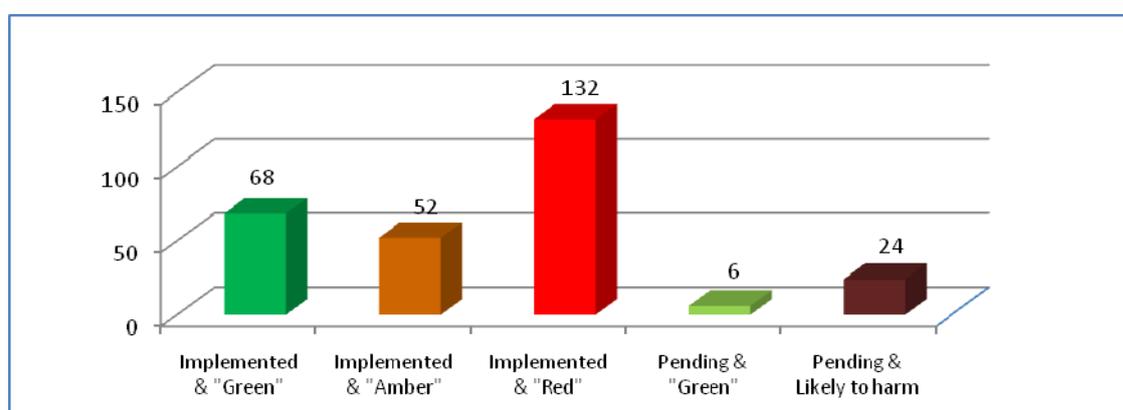
Source: Global Trade Alert, data extracted on 15 September 2011

²⁶ This information is based on GTA database, accessed in December 2011.

3.2 Distribution of present and future discriminatory measures affecting LDCs

There were 282 measures affecting LDCs commercial interest from November 2008 to 15 September 2011. Among those state interventions, 252 measures have been already implemented. Figure 5 shows that more than half of the implemented measures affecting LDCs were coded as “Red” or *almost certainly* discriminating against LDCs commercial interests according to GTA evaluation. One-fifth of the total implemented measures was coded as “Amber” or *might involve* discrimination against LDCs commercial interests. The number of market-opening measures implemented towards LDCs was less than 40% of the number of market-closing ones implemented against LDCs.

Figure 5. Distribution of present and future measures affecting LDCs



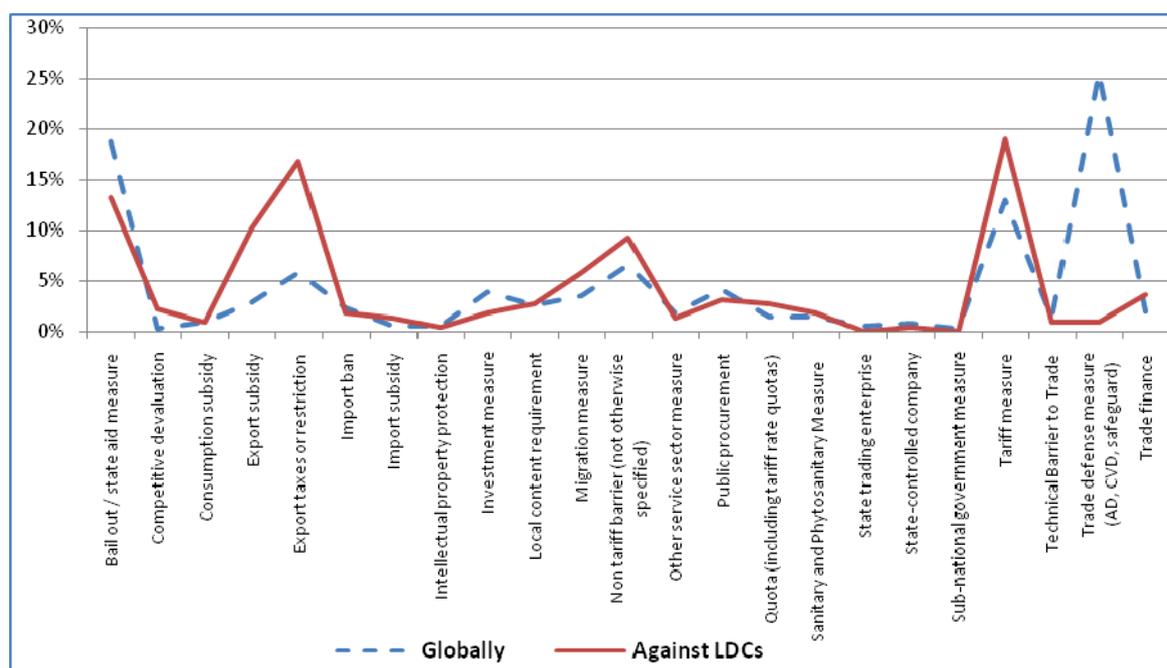
Source: Global Trade Alert, data extracted on 15 September 2011

Among the announced but yet to be implemented measures, that might affect the trade and commerce of the LDCs, 80% are *likely to be harmful*, while only 20% would have trade liberalizing effect, if implemented. From the facts presented here, it is quite clear that trading opportunities for the LDCs were actually reduced during the recent financial and economic crisis and during the recovery.

3.3 Forms of discrimination used against LDCs commercial interests

An evaluation of trade protectionist measures hurting other nation's commercial interests initiated globally since the first G20 crisis-summit reveals significant diversity in contemporary protectionism, quite the opposite of the tariff dominated characteristics of 1930s protectionism (Evenett, 2011a). The trend is not different in case of recent protectionism against the LDCs commercial interests. However, tariff measures are found to be the most common single source of discrimination used against LDCs in contrast to the highest use of trade defense measures (antidumping measures, countervailing duties, and safeguard measures) followed by bailout and state aids as the tools of contemporary protectionism globally (figure 6). One fifth of all trade distorting measures implemented against the poorer segment of the world by their trading partners was tariff measures.

Figure 6. Use of different types of *beggar-thy-neighbour* policy instruments against LDCs and globally

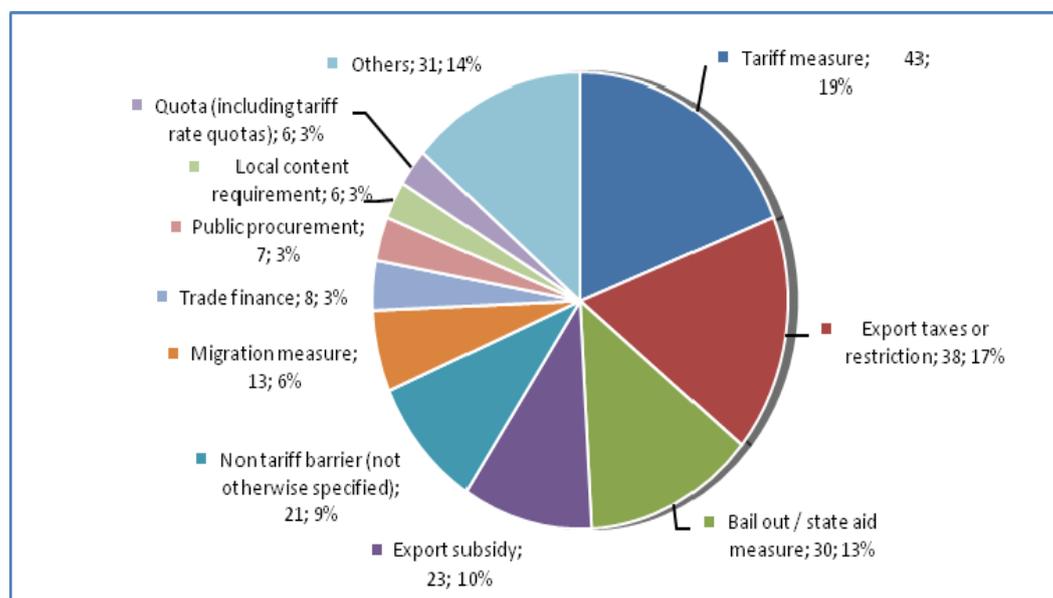


Source: Global Trade Alert, data extracted on 15 September 2011

Notes: A beggar-thy-neighbour policy is taken to be one which has been implemented since November 2008 and is almost certainly discriminatory (coded red) or likely to be discriminatory (coded amber).

Although 184 trade distorting measures were implemented against the commercial interests of LDCs, some of those measures comprised of more than one policy instrument increasing the harmful impact. The implementations of export taxes or restrictions are the second most common form of discrimination inflicted against LDCs' commercial interest. In the contemporary world where manufacturing costs depend significantly on low cost international outsourcing and supply chain management, discrimination can be easily practiced by taking control over raw material sources abroad (cf. Evenett, 2009). It comes as no surprise then that 38 discriminatory measures hurting LDCs trade opportunities fall under this category, accounting for 17% of the total protectionist measures implemented against the LDCs trading interests. Bailouts and state aids are the next frequently used type of trade protectionist measure inflicted against the LDCs. While separate analysis is required to determine the impact of tariff measures, export taxes or restrictions and bailouts and state aids on the trade of LDCs, it is worth mentioning that since November 2008, these types of discriminatory policy instruments together accounted for **half of all harmful protectionist measures** initiated against the LDCs by the governments of their trading partners. Measures such as export subsidy, non-tariff barrier, migration measure, trade finance, public procurement and local content requirement are other types of trade distorting tools recurrently used against LDCs (figure 7).

Figure 7. Top 10 types of contemporary trade distorting measures used against LDCs commercial interests



Source: Global Trade Alert, data extracted on 15 September 2011

3.4 The 'murkier forms' of discrimination is also the most prevalent trade policy instrument used against the LDCs

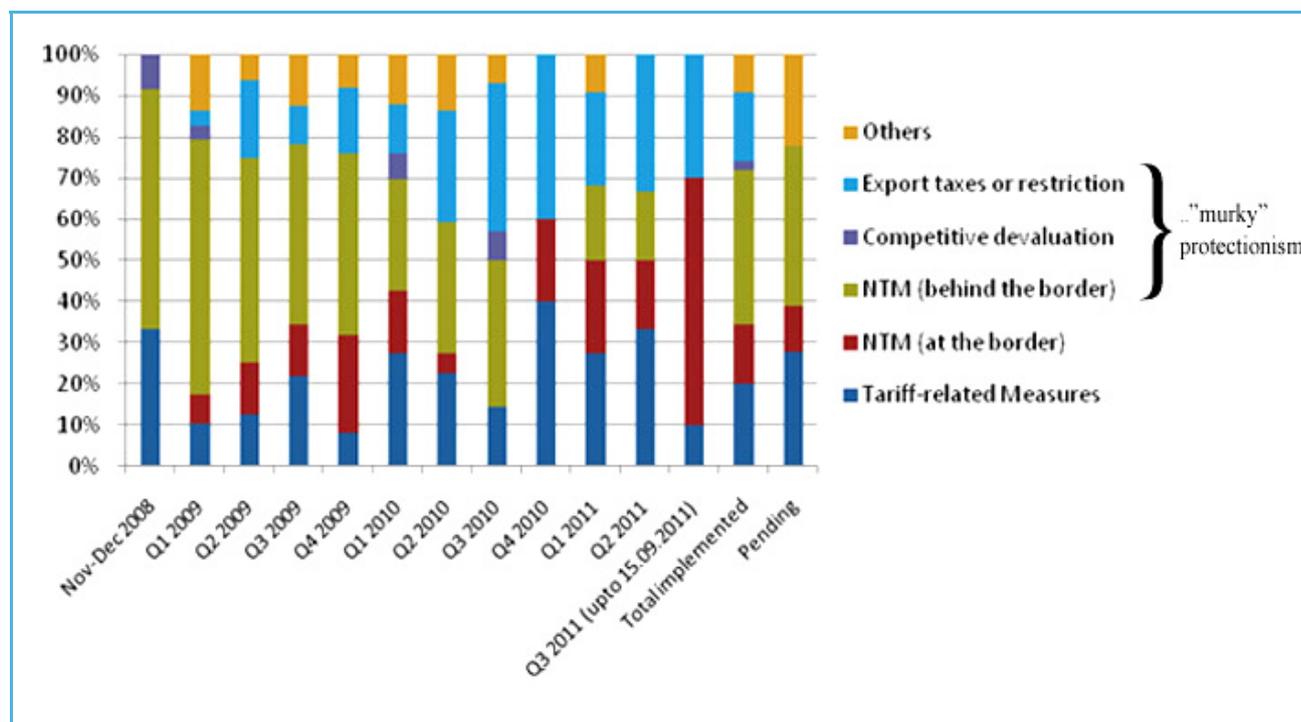
The use of less transparent protectionist measures during the recent global economic downturn and its aftermath has been clearly visible in many government trade policies designed and implemented in response to the crisis. In contrast to the Great Depression in 1930's when tariff measures were almost the single source of discrimination, this time governments are using many different policy instruments, and not always perceived as trade measures, as rightly warned by certain trade experts early in the wake of the crisis. Imposing these types of trade restrictive measures does not necessary involve a direct infringement of the countries WTO obligation, but allows them to abuse their legitimate discretion to favour domestic goods, services, firms and workers over their foreign rivals.

Evenett and Wermelinger (2010) confirmed the use of 'murky' protectionism by the governments to discriminate against their foreign competitors during the recent crisis. The case of LDCs was not an exception; different forms of *beggar-thy-neighbour* policy instruments were used against LDCs regularly from November 2008 to September 2011.

Figure 8 portrays that 65% of all discriminatory measures initiated against LDCs commerce throughout the crisis and recovery period were less transparent protectionist measures, which tend to be less tightly regulated by the multilateral trading system. These include behind-the-border non-tariff measures, competitive devaluation, export taxes or restriction and other forms of discrimination; and exclude tariff-related measures and non-tariff measures at-the-border. The share of such types of protectionist measures reached its peak of almost 72% in 2009, then demonstrated downward trend in 2010 and in the first three quarters of 2011 by occupying 66% and

45% respectively among the total implemented measures during that period. However, this measures account 61% of the pending (announced but not yet implemented) discriminatory measures targeted towards LDCs; a proportion fairly consistent with the trend in the end of 2008.

Figure 8. Changes in different types of protectionism targeted towards LDCs, quarter-by-quarter from November 2008 to September 2011



Source: Global Trade Alert, data extracted on 15 September 2011

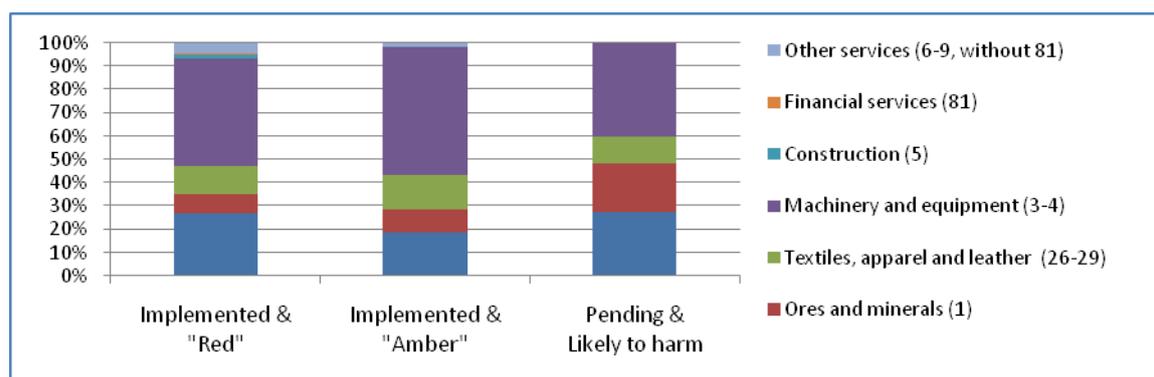
Notes: *Tariff-related measures* include tariff and trade defense measures. *Non-tariff measures (at-the-border)* include quotas, import bans, TBT, non tariff barriers (not otherwise specified). *Non-tariff measures (behind-the-border)* include consumption subsidies, local content requirements, public procurement, bailout/state aid measures, export subsidies, trade finance support, sanitary and phytosanitary measures, support to state-owned trading enterprises and state-controlled companies. *Others* include investment, migration, intellectual property protection and other service sector measures.

More particularly, the dominance of behind-the-border policy instruments, less transparent compared to tariff related measures and non-tariff measures at the border, hurting LDCs commercial interests also surfaced in Figure 8. More than one third of the discriminatory measures harming LDCs during the period under investigation belong to this category, which includes bailout and state aid measures, consumption subsidies, local content requirements, public procurement, export subsidies, trade finance support, sanitary and phytosanitary requirements, support to state-owned trading enterprises and state-controlled companies. Harmful government measures targeted towards LDCs become more transparent from the fourth quarter of 2010, while the share of non-tariff measures at-the-border including quotas, import bans, TBT and non tariff barriers (not otherwise specified) increased significantly. However, the scenario would be reversed again, if the discriminatory measures in the pipeline were to be implemented against LDCs. Tariff related instruments represent approximately 20% of the total protectionist tools used against LDCs during the investigated period.

3.5 Sector groups of LDCs most often targeted by contemporary protectionism

Analysing state protectionist measures targeted to LDCs based on economic sectors reveals different aspect of crisis-era and post-crisis protectionism. It illustrates whether some economic sectors of LDCs were injured more compared to others by the recent trade distorting state measures and help to understand the nature and underlying policy objectives of contemporary protectionism. Figure 9 shows that manufacturing sector of LDCs, particularly machinery and equipment, was the most vulnerable sector harmed by current state protectionism. Almost 50% of all discriminatory measures implemented against LDCs commercial interests were targeted towards the machine and equipment industry of those countries. The share of discriminatory measures targeted to this particular sector among the pending measures is also very high, 40% of all pending measures, which are likely to harm LDCs, if implemented. These patterns coincide with the recent protectionist trend worldwide. The underlying policy objectives of this pattern are quite clear-cut. Many countries take attempts to support their manufacturing during the crisis. The reasons behind these initiatives were mainly two-folds. One is to save one of the most vital sectors of economic activities of many countries; another is to fight with spreading unemployment following the crisis.

Figure 9. Manufacturing of LDCs has been hurt more than other sectors



Source: Global Trade Alert, data extracted on 15 September 2011

Notes: Sectors are classified according to United Nations Statistics Division CPCprov (Provisional Central Product Classification) available at

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=9&Lg=1>.

This classification is also used by the Global Trade Alert.

3.6 Countries responsible for harm done to the LDCs commercial interest

According to the latest figures, 65 jurisdictions worldwide, including European Union-27 have imposed discriminatory measures that have harmed LDCs commercial interests. Table 3 summarizes total number of protectionist state measures initiated and implemented by different group of economies targeted against the poorest segment of the world. Since recent global economic downturn, 184 state measures have already been implemented worldwide which were harmful to the commercial interest of LDCs and 24 such injurious measures are in the pipeline. G20 members inflicted 65% of the total harmful measures implemented worldwide against LDCs and also responsible for 75% of pending measures likely to hurt LDCs trading interests. These depressing outcomes manifest the failure of the group of world economic leaders to honor its anti-

protectionist commitments expressed in consecutive crisis related G20 summits. While G8 member countries were responsible one out of every six detrimental measures implemented against LDCs, they were found to be accountable for almost two-third of the pending measures that are likely to harm LDCs economic interest. European Union-27 countries demonstrated more friendly policies toward LDCs in terms of imposing protectionist state measures. This group of countries imposed only 14% of the total harmful measures implemented against LDCs and responsible for only 4% of such damaging measures yet to be implemented. Additionally, few LDCs also initiated harmful trade measures that affect the LDCs. The group of LDCs implemented 26 harmful measures worldwide, among which 7 discriminatory measures affected commercial interests of at least one LDC.

Table 3. Summary statistics on economies responsible for hurting LDCs

Group of countries	All measures affecting LDCs	Number of implemented measures affecting LDCs	Number of harmful measures initiated against LDCs	Number of harmful measures implemented against LDCs	Number of pending measures likely to affect LDCs	Number of pending measures likely to harm LDCs
All Countries (including LDCs)	282	252	208	184	30	24
G20 members	186	164	137	119	22	18
G8 members	58	40	46	31	18	15
EU27	31	30	26	25	1	1
LDCs	14	12	8	7	2	1

Source: Global Trade Alert, data extracted on 15 September 2011

Although no single country alone can be blamed for hurting LDCs commerce through protectionist measures, eight countries were found responsible for the majority of the restrictive policies, out of 65 jurisdictions that have implemented detrimental trade measures to LDCs interest. As shown in table 4, India, Argentina, Russian Federation, France, Indonesia, Spain, United Kingdom of Great Britain and Northern Ireland and Germany together account for 58% of the total injurious measures implemented against LDCs. Even though India outpaced China in terms of growth in 2010,²⁷ the country singlehandedly inflicted 32 state measures during the crisis and post crisis period that hinders the commercial interest of LDCs, which is 17% of the worldwide total. This result is hardly matched with any notion of South-South cooperation among the poorer segment of the world. It also sits somewhat awkwardly with the fact that India, of all developing countries in Asia, has signed (or is negotiating) the largest number of reciprocal bilateral preferential trade agreements with the neighbouring LDCs, and has regional trade agreements with some others (through APTA and ASEAN). Furthermore, both India and China expanded the coverage of their GSP (Duty Free Quota Free) schemes for the LDCs in 2011 so imposing barriers to exports of the same countries does not appear to be consistent.

²⁷ IMF, World Economic Outlook (WEO), Tensions from the Two-Speed Recovery: Unemployment, Commodities, and Capital Flows, April 2011, p.2 (It pointed that India grew by 10.4 percent in 2010, which is fully 0.1 percentage points faster than China available at <http://www.imf.org/external/pubs/ft/weo/2011/01/pdf/c1.pdf>)

In addition to the 9 countries listed in Table 4, twenty other countries were found to be guilty of implementing 5 state measures each, which were detrimental to LDCs commercial interest.

Table 4. Countries mostly accountable for hurting the LDCs commercial interest

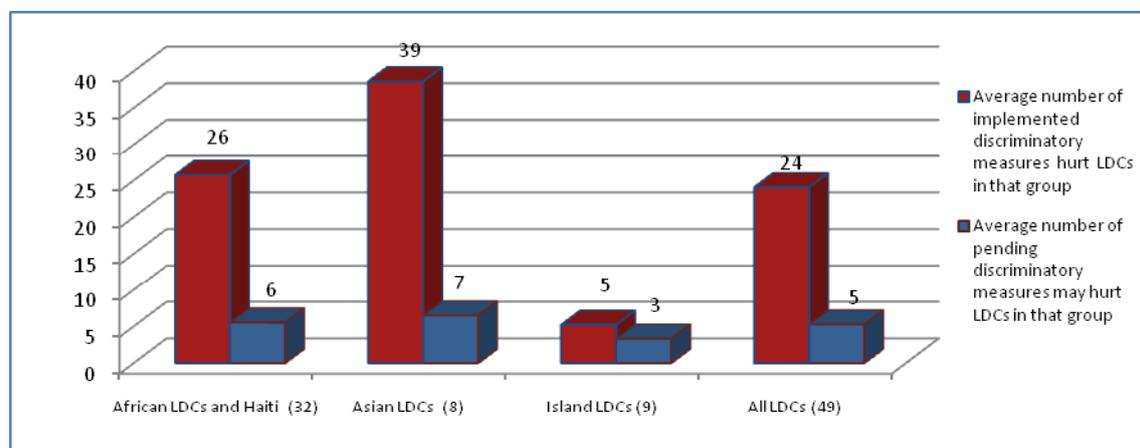
Name of Country	Number of discriminatory measures implemented		
	Coded "Red"	Coded "Amber"	Total
India	17	15	32
Argentina	13	3	16
China	11	5	16
Russian Federation	9	2	11
France	8	3	11
Indonesia	8	2	10
Spain	8	1	9
United Kingdom of Great Britain and Northern Ireland	8	1	9
Germany	7	1	8

Source: Global Trade Alert, data extracted on 15 September 2011 and October 2011 for China

3.7 Asian LDCs and LDCs-mixed exporters have been more targeted than other LDCs

An evaluation of contemporary protectionist measures based on geographical and structural classification showed that Asian LDCs were affected much more than other country groups by the government trade distorting policies during and after the recent crisis. While on average an LDC was a target of 24 discriminatory measures implemented during the period of observation, the average number of such measures imposed against an Asian LDCs was 60% more. The average number of protectionist measures targeted towards an African LDC was just above the LDC average. However, small island state LDCs were comparatively much less affected by state discrimination. Similar trend is also visible among the yet to be implemented measures.

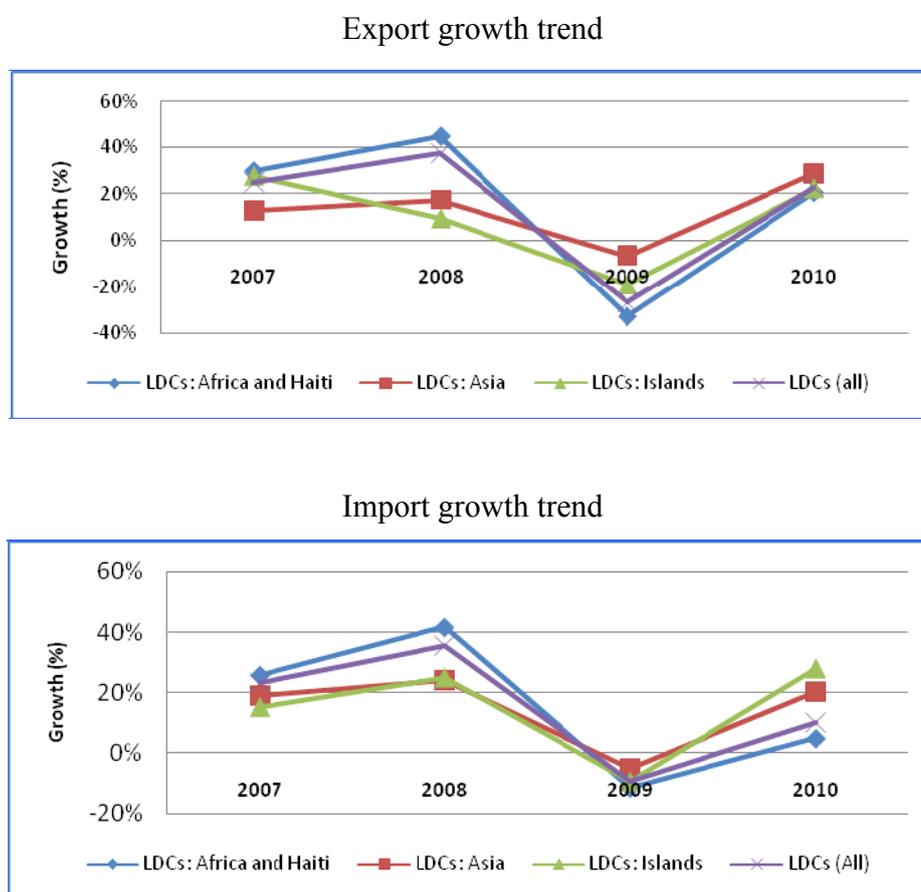
Figure 10. Crisis-era protectionism has targeted Asian LDCs much more than others



Source: Global Trade Alert, data extracted 15 on September 2011

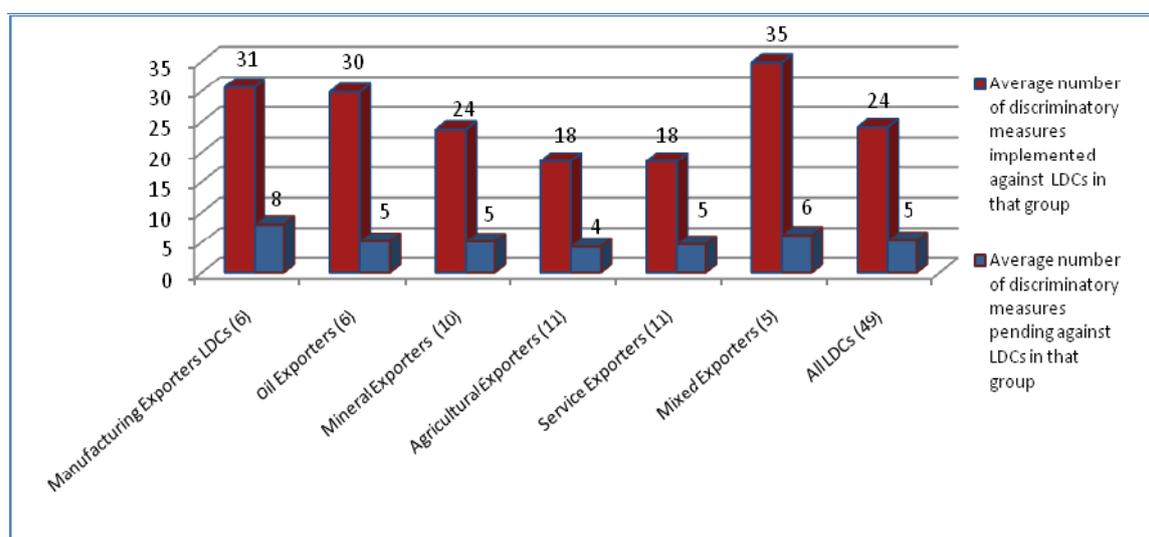
The most important of all channels through which the recent financial and economic crisis has hurt LDCs is declining export earnings. World trade, in volume terms, shrank by 14% in 2009, and the LDCs were inevitably affected by this setback (World Bank, 2010). According to UNCTAD, LDCs exports plummeted by 27% in 2009, representing a greater slump than world and developing country exports, which declined by 24% and 25%, respectively, on a year-on-year basis. Among the LDC groups African LDCs experienced sharpest fall of 33%, while Asian LDCs showed resilience registering only 7% decline in their export revenues in 2009 (figure 11). Both declining global demand and adverse movements in commodity prices negatively affected LDCs export earnings. Furthermore, contemporary protectionism also contributed to worsen the difficulties created for LDCs by the global crisis.

Figure 11. Export and import growth trends of different LDC groups based of geographical classification during and post-crisis period



Source: UNCTAD, UNCTADstat database accessed on 1 October 2011

Figure 12. Mixed exporters were most vulnerable among the exporting LDCs



Source: Global Trade Alert, data extracted 15 on September 2011

Among the LDC groups, classified based on export specialization categories, mixed exporters were the most frequent target of trade protectionist measures during and post-crisis period. Countries belonging to this group were hurt by an average of 35 discriminatory measures, almost 50% higher than LDC average globally. Manufacturing LDCs were the next target group of contemporary trade protectionism among the LDCs and an average of 31 such measures were implemented against a manufacturing exporters LDC. Oil and Mineral exporters were the next two affected categories while LDCs among the Agricultural and Services exporters were the least hurt among the groups.

3.8 No LDC has escaped unhurt by contemporary protectionism

While Tuvalu was the only exception among the LDCs until 2010, present data show there is no single LDC that remained unhurt by contemporary state protectionism. Looking at the individual LDC, substantial differences were found between the numbers of discriminatory measures that have been implemented against an LDC's commercial interests during this period. While the number of times an LDC's commercial interests have hurt do not provide a clear picture of the total commercial value affected by such discriminations, in earlier analyses by GTA it was revealed that there is strong correlation between the number of protectionist measures used against an LDC and other indicators of injury (Evenett, 2010).

A comparison with the last analysis on the magnitude of contemporary protectionism affecting LDCs published by GTA showed that from November 2008 to October 2010, 141 discriminatory measures were implemented globally hurting the commercial interest of LDCs, and since then 67 fresh measures were implemented against these poor countries. This increase in protectionism targeted towards LDCs showed that contrary to the much hyped optimism of economic recovery and reduced state protectionism at the end of 2010 and beginning of 2011, the protectionist policies remained a risk. This trend also reflects the failure of world economic leaders to honour their anti-protectionist moratorium, at least not to harm the developing and LDCs of the world.

Table 5 represents top 20 most frequently targeted LDCs by contemporary state protectionist measures. Bangladesh remains the most frequent target of crisis-era protectionism among the group. For an LDC, Bangladesh has sizeable labour-intensive manufacturing exports, which explains why was this country the most frequent target of discrimination during the crisis period: total 88 discriminatory measures have already been implemented and another 9 measures remain in the pipeline. While 47 jurisdictions imposed *almost certainly* discriminatory measures against Bangladesh, the country's biggest neighbour India, and Argentina inflicted the highest number of discriminatory measures against its trading interests, each responsible for implementing 10 state measures. Brazil, United Kingdom, China and Russian Federation are the other jurisdictions frequently hurting Bangladesh's commercial interests.

Export taxes or restrictions were the type of policy instrument most frequently used by the trading partners to discriminate against Bangladesh. As mentioned earlier, contemporary manufacturing cost considerably depends on low cost international outsourcing and supply chain management. Therefore discrimination can be easily raised from taking control over raw material sources abroad. That clearly reflected in the case of Bangladesh. Garment and apparel are the main export items of Bangladesh's export and generate 80% of country's export revenue. Almost all the raw material of these export items are imported. So imposition of export taxes or quantity restriction in the exporting countries, without any doubt, had to adversely affect Bangladesh's competitiveness in international market of garments and apparel. Tariff measures were the second most frequently used types of policy instruments: 16 tariff-related trade protectionist measures were implemented against Bangladesh. Export subsidy, bailout and state aid measures were the third most common types of protectionist tools used against Bangladesh.

Other three Asian LDCs with earned entry onto the "most targeted" countries (Table 5) are Afghanistan, Myanmar and Cambodia, which again bags a question of existence of a coherent approach of international community regarding assisting these countries, challenged in multiple ways, in their efforts to develop and conquer the conflict-related problems still felt in the functioning of their socio-economic systems.

4. Conclusion

Strong economic recovery and unparalleled growth of international trade flow during 2010 helped governments to resist protectionist pressure, though failed to refrain erection of new trade restrictive state measures throughout that period. Slowing and uneven global activity, renewed financial instability and macroeconomic uncertainty coupled with unacceptably high unemployment rates in some countries in 2011 reflected in state policy responses through imposition of increasing trade restrictive interventions. This chapter reveals clear signals of resurgence of another wave of state protectionism.

A careful interpretation of the extent of the state discriminatory measures implemented against LDCs reveals that the commerce of the LDCs is not out of contemporary protectionist practices and the economic difficulties created and transferred to the LDCs by the global economic crisis were further deteriorated by the restrictive state interventions by their trading partners. Extensive analysis of reported

government protectionist measures initiated worldwide during the last three years provides important features and dynamics of contemporary protectionism, which have been considerably transformed since the wake of global economic crisis. Though, the LDCs have been awarded increased and preferential market access to many developed and developing countries, this study reveals that the treatment towards LDCs by crisis-era and post-crisis protectionism was not an exception to other nations, and approximately one out of every six trade restrictive policy measures implemented globally during the period under investigation was injurious to the commercial interests of the LDCs. Another important aspect in the area of trade regulation surfaced through this analysis is that the number of border closing measures was much higher than the number of border opening ones affecting the LDCs commerce, virtually resulted in reduced trading opportunities for this economically vulnerable group of countries.

The ‘murkier forms’ of discrimination is also the most prevalent trade policy instruments used to discriminate against LDCs commercial interests. While ‘tariff measures’ were most common single source of discrimination to the LDCs, contrary to the global trend; increased use of ‘export taxes and restriction’ become a major cause of concern for LDCs trading interests. Manufacturing sector of LDCs, particularly machinery and equipments, was the most vulnerable to contemporary protectionism, which quite logically reflected in the fact that the highest number of trade restrictive interventions were targeted towards mix exporters and manufacturing exporters LDCs. While all LDCs, on a varying scale, have been hurt by contemporary state protectionist interventions, Asian LDCs, particularly Bangladesh’s commercial interest has been hit very hard by other governments’ discriminatory trade policies. No single country or group of countries responsible for inflicting harm to the LDCs commercial interests. However, G20 members were found to be responsible for implementing two-third of discriminatory state measures during the period under investigation, nullifying their anti-protectionist moratorium, expressed in several international forums repeatedly.

While there are much discussion about mainstreaming the LDCs into the global trade regime through various preferential initiatives and trade capacity building projects, designed to lift up them out of extreme economic vulnerability; closing the borders for the Goods and Services from this group of countries unveiled the lack of coherence in international policies towards the LDCs,.

On the note of limitation, this study attempts to calculate the actual trade value of the LDCs affected by contemporary protectionist state measures. It collected and sorted the 4-digit tariff lines of LDCs targeted by trade restrictive measures from GTA database. But that attempt was not successful because of the unavailability of bilateral trade data between each affected LDC and every protectionist measure implementing country at 4-digit level. Obviously, determination of commercial value of LDCs trade affected by state protectionism could give clearer picture of the harm done to the commercial interest of the LDCs by crisis-era and post-crisis protectionist government interventions, and indicate future area of research.

Table 5. LDCs most frequently hurt by contemporary protectionism

Sl	LDCs	Number of discriminatory (almost certainly) measures implemented against that LDC	Number of discriminatory (may involve) measures implemented against that LDC	Number of discriminatory measures pending against that LDC	Total number of jurisdictions imposing red measures against that LDC	Trading partner implemented largest number of discriminatory measures (almost certainly) on target LDC			Types of policy tools (red or amber) used most frequently on target LDC		
						Country 1	Country 2	Country 3	Type 1	Type 2	Type 3
1	Bangladesh	58	30	9	47	India, Argentina (10)	Brazil, UK (5)	China, Russian Federation (4)	Export taxes or restriction (24)	Tariff measure (16)	Export subsidy, Bail out/ state aid measure(12)
2	Yemen	41	16	4	49	India (6)	Belgium, Germany, Indonesia, UK (4)	26 jurisdictions implemented 3 measures each against Yemen	Export subsidy, Export taxes or restriction (16)	Bail out/ state aid measure (9)	Tariff measure (7)
3	Sudan	35	19	4	44	India (6)	Argentina (5)	Belgium, Finland, Germany, Russian Federation (4)	Export taxes or restriction (18)	Export subsidy (10)	Tariff measure (9)
4	United Republic of Tanzania	34	21	8	45	India (7)	Indonesia, Russian Federation (4)	Belgium, Finland, Netherlands (3)	Export taxes or restriction (17)	Export subsidy, Bail out/ state aid, Tariff measure (11)	Trade finance (5)
5	Senegal	32	17	7	40	India (7)	Argentina (5)	France, Indonesia (4)	Export subsidy (14)	Bail out/ state aid measure (12)	Export taxes or restriction (8)
6	Ethiopia	30	15	9	44	France, India (4)	Belgium, Finland, Germany, Netherlands (3)	26 jurisdictions implemented 2 measures each against Ethiopia	Bail out/ state aid measure (12)	Export subsidy, Export taxes or restriction (9)	Tariff measure (7)
7	Uganda	26	15	6	40	India, Russian Federation (5)	Belgium, Netherlands (3)	28 jurisdictions implemented 2 measures each against Uganda	Export taxes or restriction (10)	Export subsidy, Bail out/ state aid measure (9)	Tariff measure (5)
8	Afghanistan	25	10	4	12	India, Kazakhstan (5)	Russian Federation (5)	Argentina (3)	Export taxes or restriction (10)	Export subsidy (9)	Bail out/ state aid measure, Tariff measure (5)
9	Myanmar	24	17	3	12	Argentina, China, India, Indonesia (4)	Republic of Korea, South Africa (2)	6 jurisdictions implemented 1 measure each against Myanmar	Export taxes or restriction (11)	Tariff measure (10)	Export subsidy (9)
10	Madagascar	24	15	7	37	India (5)	China, France (4)	Indonesia, Spain (3)	Export taxes or restriction (11)	Export subsidy (10)	Tariff measure (9)

Sl	LDCs	Number of discriminatory (almost certainly) measures implemented against that LDC	Number of discriminatory (may involve) measures implemented against that LDC	Number of discriminatory measures pending against that LDC	Total number of jurisdictions imposing red measures against that LDC	Trading partner implemented largest number of discriminatory measures (almost certainly) on target LDC			Types of policy tools (red or amber) used most frequently on target LDC		
						Country 1	Country 2	Country 3	Type 1	Type 2	Type 3
11	Cambodia	23	15	11	13	India (5)	Argentina (4)	China (3)	Export subsidy (8)	Export taxes or restriction (7)	
12	Mozambique	22	17	8	41	India (5)	Indonesia (3)	Argentina, China, Finland, Russian Federation (3)	Tariff measure (10)	Export subsidy (8)	Export taxes or restriction (7)
13	Zambia	22	16	4	37	Belgium, Finland, India, Netherlands (5)	25 jurisdictions implemented 4 measure each against Zambia	China, Russian Federation (2)	Export subsidy (9)	Bail out/ state aid, Tariff measure (8)	Export taxes or restriction (5)
14	Malawi	22	11	7	37	India, Russian Federation (4)	Belgium, Finland, Spain (3)	27 jurisdictions implemented 2 measure each against Malawi	Export taxes or restriction, Tariff measure (7)	Bail out/ state aid measure (6)	Export subsidy (5)
15	Angola	21	16	7	38	Argentina (5)	India (4)	Indonesia, Portugal, Republic of Korea, UK (2)	Export subsidy (10)	Export taxes or restriction, Tariff measure (8)	Trade finance (5)
16	Benin	21	10	5	38	India (7)	France, Indonesia (3)	28 jurisdictions implemented 2 measure each against Benin	Export subsidy, Export taxes or restriction (10)	Tariff measure (6)	Trade finance (3)
17	Mali	21	9	4	38	India (5)	Argentina (4)	Belgium, France, Spain (3)	Bail out/ state aid, Export subsidy (9)	Export taxes or restriction (5)	Tariff measure, Trade finance (3)
18	Togo	21	6	5	39	India (5)	Spain (4)	Indonesia (3)	Export subsidy (9)	Export taxes or restriction, Tariff measure (6)	Bail out/ state aid, Public procurement, trade finance (3)
19	Guinea	18	10	5	38	India (4)	Belgium, Republic of Korea, Russian Federation (2)	34 jurisdictions implemented 1 measure each against Guinea	Export subsidy (8)	Tariff measure (7)	Export taxes or restriction (6)
20	Mauritania	18	8	5	13	India (4)	Argentina (3)	Russian Federation (2)	Export subsidy (8)	Export taxes or restriction (6)	Trade finance (5)

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