RECENT TRADE POLICY DEVELOPMENTS: A MIXED PICTURE

INTRODUCTION

Governments have been actively using various trade policy instruments in the aftermath of the global financial crisis but there has not been a widespread resort to protectionism. The result has been a mix of trade protectionism and trade promotion. This chapter explores how Governments in Asia and the Pacific adjusted the scale and composition of their trade policies in response to the uncertainties present in the aftermath of the global financial crisis. It also looks at the rationales behind these adjustments. The impact of some of these measures on trade flows and affected sectors are assessed. This evaluation is complemented by an Index of Protectionism Severity, which aims to provide a simple measure of the impact of protectionist policies.

Trade policies implemented by Governments in the region mixed protectionist policies and trade promotion, with hard to predict net impacts on trade and welfare.

A. TRADE POLICY DEVELOPMENTS

The apparent slowing in the introduction of new trade restrictions which was noted in two recent WTO reports (2012, 2013a) does not necessarily imply a policy shift away from protectionism. These new restrictions, even if fewer in number, get added to those already in place. Experience shows that, once implemented, measures are rarely removed.

Turning to the monitoring of protectionist activity, it needs to be noted that the new measures observed in the latest period (that is, mid-October 2012 to mid-May 2013) are not fully comparable with those in earlier periods. This is particularly so in terms of their trade restrictiveness and potential impact on trade flows. Some measures may apply to only one specific product or place of origin, while others may affect a basket of products from many places of origin. Moreover, some measures do not apply to partners in trade agreements. Therefore, it is difficult to accurately assess the protectionist impact of measures introduced in one period compared to those from another period.

While the pace of adding new trade restrictions has been lessening, the removal of already imposed measures remains slow too.

Based on the new methodology used in the WTO reports,[32] the category "other trade and trade-related measures" includes new tariffs and tariff hikes. Also included are other restrictive measures related to custom procedures, other taxes on imports, quantitative restrictions for imports or exports and export duties.[33] During the period from mid-October 2011 to mid-May 2013 (the reporting period), a total of 232 measures were recorded in this category. Out of this total, 182 apply to imports, (which covers around 1.6% of world merchandise imports, see table 5.1). However, one also has to keep in mind that trade restrictive measures are not the only measures distorting trade.

The Asia-Pacific region introduced 99 of the import measures[34] recorded by WTO and the Global Trade Alert (GTA).[35] Tariff increases in the region mainly affected the import of minerals, machinery, vehicles and food items.

However, there were more tariff reductions than tariff increases (table 5.2). Tariff liberalization covers the bulk of liberalizing measures presented by WTO (2012 and 2013a): 163 measures out of a total of 214. In addition to tariff reductions, the group of liberalizing measures also includes the streamlining of customs procedures and the elimination or reduction of import taxes, quantitative restrictions and export duties. It is estimated that the 185 reported liberalizing measures cover around 3.5% of world merchandise imports.

In Asia and the Pacific, 82 liberalizing measures have been recorded; out of which 54 imply decreases in or elimination of tariffs. Implemented measures are concentrated in import facilitation of: food products, minerals, raw materials and components used in the production of other goods. This reflects the efforts of importing countries to lower prices for goods used by domestic industries and/or consumed by households. Governments seeking to contain food price increases in their domestic markets opted to pursue a reduction of tariffs on food products (World Bank, 2011).[36]

TABLE 5.1 New trade and trade-related restrictive measures mid-October 2011 to mid-May 2013

Type of measure	World	Asia-Pacific region
Import	168	66
of which Tariffs	*91*	*37*
Export	42	24
Other	22	9
Total	**232**	**99**

Source: ESCAP calculations, based on data from WTO (2012 and 2013a).

Trade liberalization, mainly through reduction of tariffs, reflects efforts to lower prices of food and/or intermediate goods.

Trade restrictive measures other than tariffs are generally less transparent, and therefore likely to generate greater distortions. Table 5.1 shows that more than two thirds of the measures imposed (both regionally and globally) belong to this category. Only a small portion of these measures have been terminated, as shown in table 5.2. Moreover, a significant proportion of these measures were imposed on exports, especially on food products, raw materials and minerals. This, again, can be related to efforts by governments to contain product price hikes in the domestic market.

The GTA database shows a higher number of measures, other than tariffs, compared with estimations presented in WTO reports. The gap is due to different methods of data collection used by the two institutions,[37] as well as to the wider range of categories considered in GTA database.[38] In the period reviewed, 178 of these less-transparent measures have been implemented by countries in Asia and the Pacific, while 55 have been removed or have involved liberalization.[39]

To restrict trade, more opaque measures are often preferred; these are mainly affecting the import of minerals, machinery, vehicles and food items.

TABLE 5.2 Trade liberalizing measures

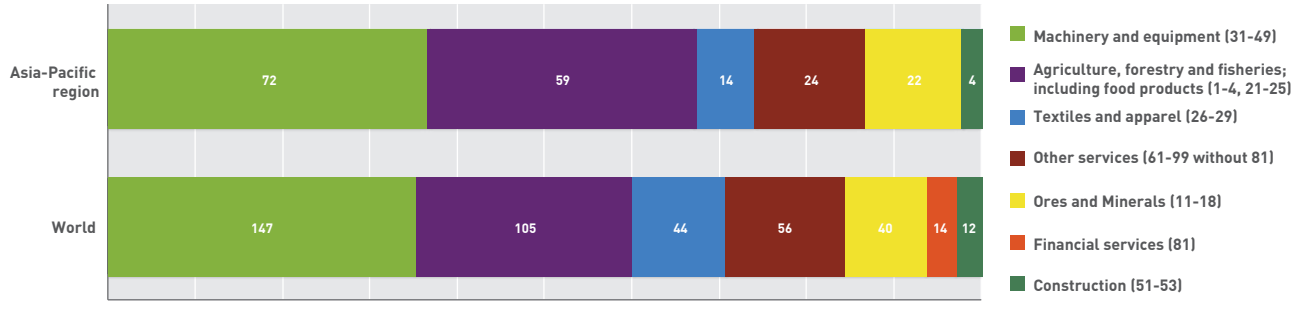
mid-October 2011 to mid-May 2013

Type of measure	World	Asia-Pacific region
Import	185	67
of which Tariffs	*163*	*54*
Export	21	12
Other	8	3
Total	**214**	**82**

Source: ESCAP calculations, based on data from WTO (2012 and 2013a).

FIGURE 5.1 Sectoral composition of less transparent measures

mid-October 2011 to mid-May 2013



Source: GTA database, accessed 31 July 2013.

According to GTA data,[40] since mid-October 2011, the countries responsible for the majority of protectionist measures using less-transparent means are the Russian Federation (63 measures), Japan (33), Indonesia (24), Australia (15), China (9) and Kazakhstan (9). Liberalizing measures, other than tariff liberalization, have been implemented mainly by China (15), India (15) and the Russian Federation (11). The manufacturing sector is the most affected by these less-transparent measures, both in the region and globally. This is followed by the agricultural sector (figure 5.1).

The manufacturing sector is the most affected by less transparent measures, both in the region and globally, followed by the agricultural sector.

Regarding trade remedies at the global level, 427 measures were recorded by WTO over mid-October 2011 to mid-May 2013. Of these, 139 were implemented in the Asia-Pacific region (table 5.3). More specifically, 92 measures initiated trade remedy investigations[41] and 47 measures terminated either investigations or duties.

The products targeted by trade remedy measures are steel, organic chemicals, machinery and mechanical appliances, paper and man-made staple fibres. As the products targeted by trade remedies have not changed in the aftermath of the financial crisis, we infer that firms have not been demanding trade defence actions to deal with the crisis-induced market pressures (World Bank, 2011). However, this is not uniform and some countries have been significantly affected by these pressures. China faces considerably higher anti-dumping duties on its products than other countries (Bown, 2010).[42] Bown (2011) also finds that the use of anti-dumping measures is increasingly becoming a South-South phenomenon, with China being the main target.

Despite the large number of trade remedy instruments initiated, their impact on trade volumes is modest. According to WTO (2012 and 2013a) estimations, around 0.5% of world merchandise imports have been affected by these initiations and 0.2% of imports have benefitted by termination of trade defence measures. The vast majority of trade remedies concern anti-dumping actions. They are product and firm specific as opposed to safeguards, which tend to affect broader industries and trading partners.

WTO reporting and monitoring initiatives also include sanitary and phytosanitary (SPS) measures, as well as technical barriers to trade (TBT). SPS measures can often be appropriately imposed to ensure public safety, but they usually have a negative impact on trade.[43] From October 2011 to September 2012, 885 SPS notifications (regular and emergency)[44] were submitted to the WTO (2012). From this total, 252 have been regionally implemented, mainly by China (64 measures), the Republic of Korea (32) and Australia (30). The SPS Information Management System allows for the analysis of the most recent trends. Since October 2012, 246 SPS notifications (regular and emergency) have been submitted

TABLE 5.3 Trade remedy measures

mid-October 2011 to mid-May 2013

Trade remedies	World	Asia-Pacific
Initiation	244	92
Antidumping		64
Safeguards		21
Countervailing		7
Termination	183	47
Antidumping		37
Safeguards		9
Countervailing		1

Source: ESCAP calculations, based on data from WTO (2012 and 2013a).

to the WTO from countries in the region. China leads with 79 of those notifications.[45]

From 1 October 2011 to 30 September 2012, more than 2,300 TBT notifications were reported to WTO; 404 of those were implemented by the Asia-Pacific region (WTO, 2012).[46] According to the TBT Information Management System, 1,723 new notifications have been reported since October 2012; 316 are in the region.[47]

SPS and TBT can be particularly detrimental for the least developed countries due to the relatively higher cost of adjusting to the different standard requirements. When SPS and TBT target the agriculture sector, least developed countries are especially vulnerable to market exclusion, as this sector is more important to the economy and export composition of these countries (WTO, 2013b). OECD (2013) estimates that savings from a reduction of these measures could cover a significant portion of the import value of agri-food trade in selected countries (69.1% for the Russian Federation, 44.8% for China, 37.9% for the Republic of Korea, 36.5% for India).

For a more comprehensive assessment, an analysis of the measures implemented can be complemented with an assessment of their coverage in terms of the basket of trading partners, tariff lines and sectors affected as well as reflecting the total number of "red measures"[48] undertaken since November 2008 (table 5.4). The Index of Protectionism Severity (IPS) summarizes these four aspects into a single indicator, whose value ranges from a maximum of 1 (most severe) to 0 (no harm caused). The index covers all the measures implemented since November 2008, and table 5.4 and figure 5.2 illustrate the scores for some Asia-Pacific countries.[49]

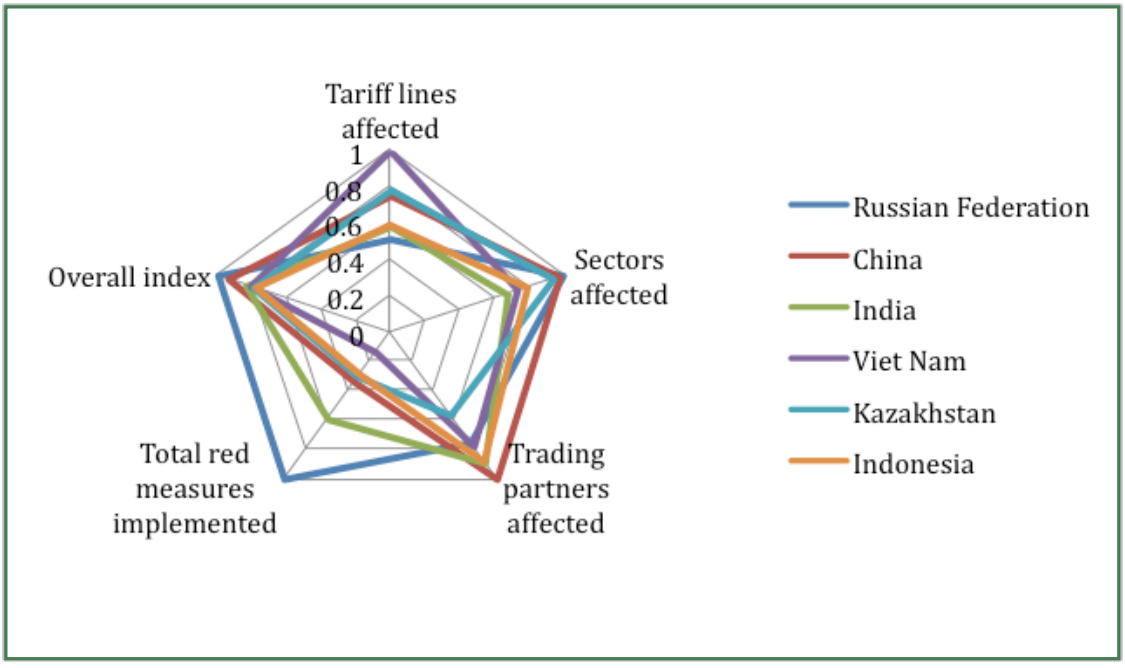
To quantify the impact of the post-crisis wave of trade policies, analysis that goes beyond stocktaking is needed. So far, only Henn and McDonald (2011) have attempted to provide a comprehensive quantitative assessment of the trade impact of post-crisis protectionism. They matched discriminatory measures from GTA database[50] with HS 4-digit level bilateral trade data from the Global Trade Information Services. They found trade flows of products affected by restrictions decreased between 5 and 8%, with behind-the-border measures distorting trade seven times more than a typical border measure.[51] Their findings also support the consensus emerging in recent literature, which focuses on non-tariff barriers as the main distorters of trade. Impact of tariff measures has been found to be statistically insignificant, although the number of implemented measures is relatively high. Border measures other than tariffs are found to have a stronger impact at the product level when narrowly focused (as in the case of anti-dumping measures). There is also a stronger impact on aggregate trade when measures are diffused (as in the case of consumption subsidies and local content requirements). Behind-the-border measures seem to have the same impact both at the product level and in aggregate. As for the sectors affected, border measures show statistically significant reductions in imports of the textile and machinery industries

TABLE 5.4 Index of protectionism severity, top 10 countries in Asia and the Pacific, 2008-2013

	Tariff lines affected	Sectors affected	Trading partners affected	Total "red measures" implemented	Overall index
Russian Federation	0.51	1.00	0.76	1.00	1.00
China	0.75	0.98	1.00	0.34	0.94
India	0.58	0.68	0.89	0.58	0.84
Viet Nam	1.00	0.74	0.78	0.14	0.81
Kazakhstan	0.78	0.94	0.56	0.31	0.79
Indonesia	0.59	0.79	0.88	0.29	0.78
Japan	0.21	0.58	0.70	0.30	0.55
Republic of Korea	0.21	0.64	0.64	0.09	0.48
Australia	0.05	0.75	0.39	0.18	0.42
Iran, Islamic Rep.	0.18	0.60	0.35	0.04	0.36

Source: ESCAP calculations from GTA database (see annex1). Accessed 31 July 2013.

FIGURE 5.2 Comparing top six Asia-Pacific countries by the components of Index of protectionism severity (over 2008-2013 period)



Source: Annex.

(with estimates of -7% and -5%, respectively). Behind-the-border measures mainly obstruct imports of machinery and transport equipment, reducing affected flows by 12%, on average. However, complete removal of protectionist measures that were implemented up to early 2010 could boost annual world trade by 0.2%. This is a small, though not negligible, impact.[52]

The stimulus effect of liberalizing measures has been quite strong.

In the latest WTO Report on G-20 Trade Measures (WTO, 2013c), the WTO secretariat has, for the first time, given an estimate of the trade impact of import-restrictive measures used since October 2008.[53] The cumulative trade impact of these import restrictions is estimated to be around 0.2% of world merchandise imports. As stated in the report, this low aggregate percentage illustrates that, most countries, overall, seem to have resisted resorting to widespread protectionism.

It is also important to consider the effect of liberalizing measures against the negative impact of trade protectionism. Fiscal and monetary stimulus measures have also benefitted many countries by generating demand for imports (ESCAP, 2013; World Bank, 2011 and WTO, 2013a). The WTO reports a change in the composition of government support measures, with fewer measures involving big stimulus packages and more involving economic assistance and support to specific sectors. From mid-October 2011 to mid-May 2013, reported measures were mainly in the form of rescue aid for specific industries, restructuring aid, export support, general financial support in the form of insurance, guarantee and credit, and support to innovation and energy efficient technologies. In many cases, assistance was aimed at small and medium-sized enterprises. The sectors that benefitted from this were motor vehicles, textiles, coal, shipping, transport and tourism, and selected agricultural sub-sectors (e.g. pig meat processing, rice, and dairy producers). Out of the 165 measures presented in the WTO reports (2012 and 2013a), 33 have been implemented in Asia and the Pacific.

B. INTERDEPENDENCY AS A DETERRENT

Recent trade policy developments responding to the crisis do not appear to reflect traditional political economy dynamics, where domestic actors lobby for protection. As argued by many contributors in Baldwin (ed.) (2009), the trade collapse was actually triggered by the fall of demand rather than by the imposition of restrictive measures.

WTO trade rules and disciplines alone cannot explain why countries did not resort to protectionism. In the case of developing countries, there is a notable policy space guaranteed by the difference between binding ceiling and applied tariffs which allows countries to raise levels of protection without fear of retaliation by trading partners. Countries seem to have not taken advantage of this in response to the crisis. Further, actual coverage of WTO regulation is limited, given that part of global trade is not subject to effective binding disciplines.

However, the role of international institutions and trade agreements has been essential in fostering a liberal international trade (and investment) environment, allowing countries to be more interconnected. The decades-long process of multilateral and unilateral liberalization and increased stability in the trade environment have facilitated the proliferation of global supply chains. These have been a potent force for maintaining open markets and diminishing the commercial and political appeal of protectionism.[54] The consequently changed nature of global production and trade seems to have restrained countries from implementing protectionist measures, as well as encouraged trade liberalization in certain sectors. Trade in intermediates intrinsically discourages protectionism, as it penalizes the downstream domestic industries that rely on these imports.[55]

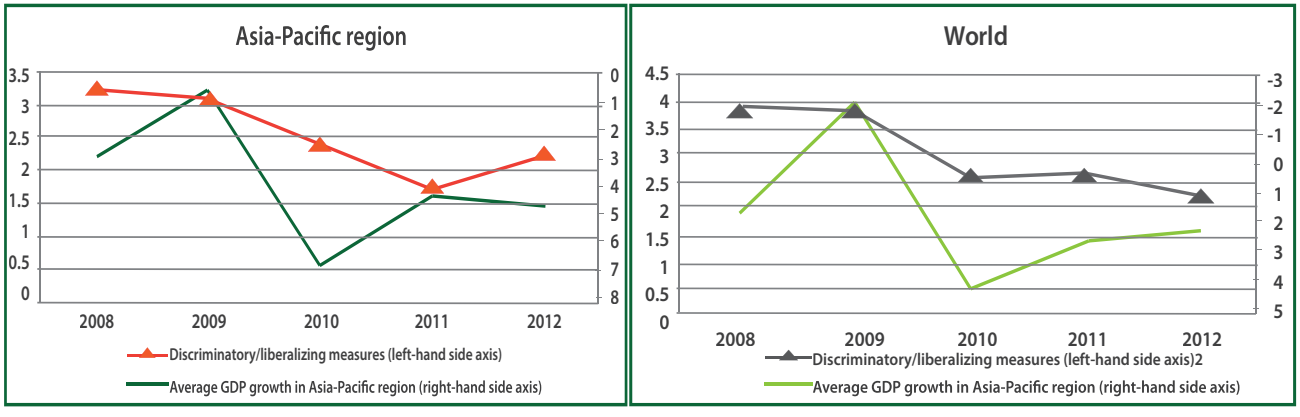
In general, the increased interest of retailers and consumers in the internationalization of production, and the rise of intra-firm trade, have resulted in decreased influence for the import-competing sector, and therefore produced trade policies less skewed in favour of these sectors.

Not only have international and non-governmental institutions succeeded in creating a general and strong consensus that protectionism is generally bad for overall country welfare, but they have also actively organized trade policy monitoring initiatives which have played an important role recently in restraining countries from engaging in protectionism.[56]

Changing global production and trade have played an important role in fomenting trade liberalization in certain sectors.

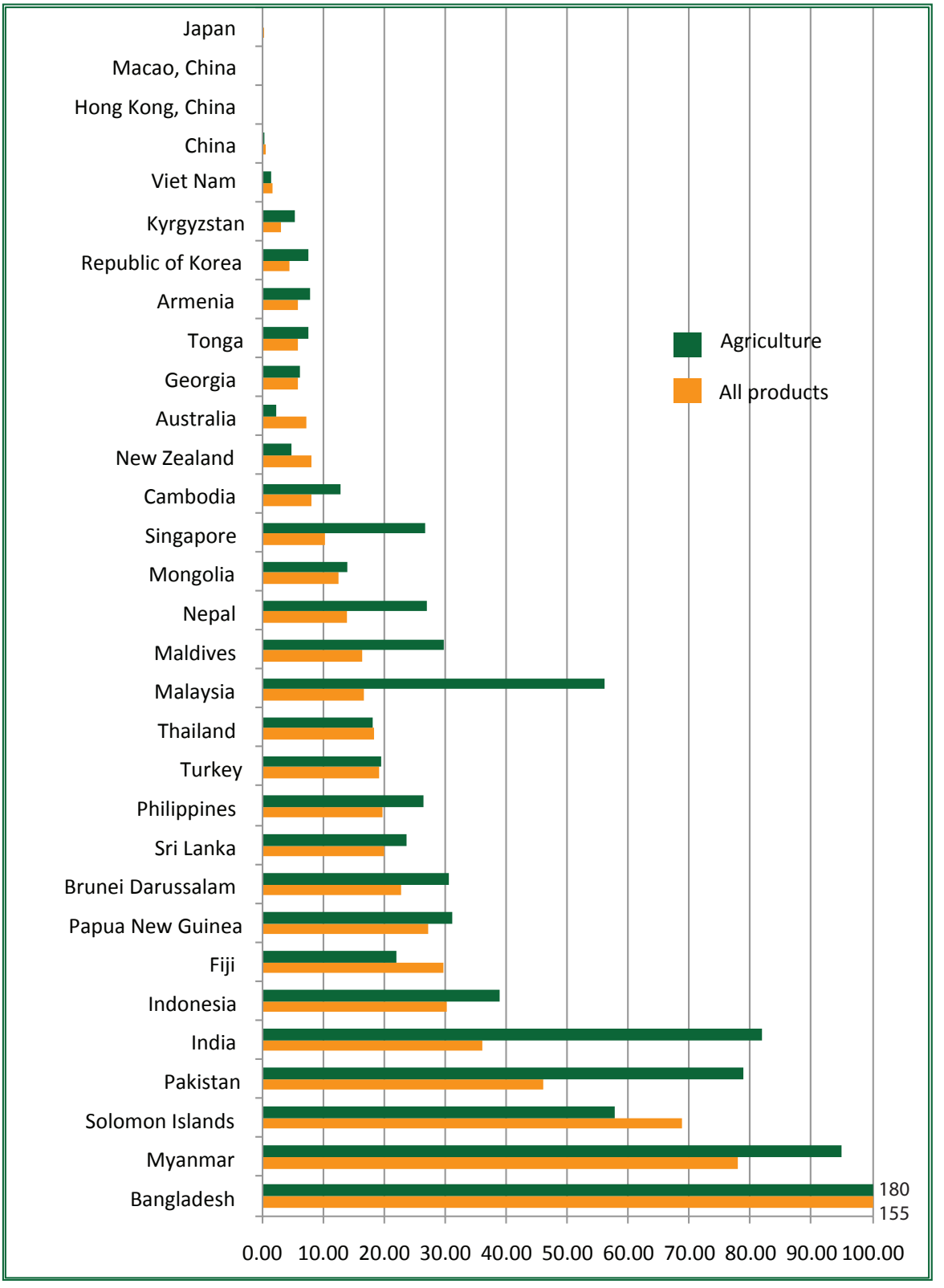
FIGURE 5.3 Weakened growth and protectionist pressures tend to move together

2008-2013



Source: ESCAP calculation, based on data from UN ESCAP Statistical Yearbook 2012 and World Bank, World Development Indicators.

FIGURE 5.4 Difference in average bound and MFN-applied rates for Asia and the Pacific economies, 2011-2012



Source: WTO tariff profile database. Accessed 1 June 2013.

Another reason that there has not been a surge in protectionism is related to the availability of macroeconomic tools to stimulate aggregate demand. During the Great Depression, countries that remained in the gold standard resorted to tariffs and similar measures to shift demand toward domestic production and tackle the urgent problem of rising unemployment because the lack of perceived alternatives. However, these constrains did not hold during the recent global financial crisis. Therefore, countries could benefit from flexible exchange rates and were able to respond by using macroeconomic stimulus. The concerted macro-policy responses played an important role in the sharp recovery of trade by late 2009. These measures contributed in containing the length and strength of the recession, and therefore the appeal of protectionism. Moreover, automatic stabilizers and social safety nets (that were almost absent in the 1930s) helped maintain macroeconomic stability, and cushioned the shock on the most vulnerable (Dadush, Ali and Odell, 2011, ESCAP 2013).

C. TARIFFS STILL REMAIN AN OBSTACLE TO TRADE FOR DEVELOPING COUNTRIES

Even though there was no major surge in discriminatory actions, protectionist pressures are far from gone. The slowdown of the global economy since 2011 has revived pressures on Governments to promote domestic economic activities. The ratio of discriminatory to liberalizing measures[57] has recently moved together with the falling of GDP growth rates (figure 5.3).

The ratio of discriminatory to liberalizing measures implemented by countries in Asia and the Pacific has been decreasing from its peak in late 2008 to 2011. Since then it has started to increase again, following the deterioration in average GDP growth rate in the region. The incentives to engage in traditional protectionism still continue to prevail, and continue to be tied to the countries' structure of production (World Bank, 2011). In particular, Governments may have an incentive to raise tariffs on inputs and/or final products when the country has a significant parts and components industry, but is less integrated into global value chains.

Propensity to use discriminatory measures is linked to weakening economic performance.

Tariffs continue to affect trade costs and still distort international trade. This is despite having been significantly reduced by the combined impact of unilateral, regional and multilateral tariff liberalization. In industrialized countries, where average applied MFN tariff rates are relatively low, tariff peaks in certain sectors represent a considerable hindrance to economic efficiency and are a matter of concern to many economies. In general, tariff protection is still higher in developing countries, reflecting existing use of tariffs as an incentive to industrialization or a source of budget revenues. Figure 5.4 shows the levels of so-called policy space for both all and agriculture products. Generally, there have not been major changes in the levels of bound and MFN applied tariffs in the region. The only exceptions have been Japan and Cambodia. In Japan, the level of bound tariffs has increased by 1.9% and the level of MFN applied tariff rate by 6%. In Cambodia, the level of bound tariffs remained the same, but the level of MFN applied rate decreased by almost 3%. For all product, the average bound tariff rate did not change significantly while the only countries to report a notable change in the average MFN applied tariff rate are Malaysia (which reported a slight decrease of 1.5%) and Fiji (with an increase of 5.8%).

CONCLUSION

Trade policies implemented by Governments in the region mixed protectionist policies and trade promotion initiatives, with hard to predict net impacts on trade and welfare. These recent developments are the result of the interaction of different factors. Among these, the changed nature of global production and trade seems to have played a central role, restraining countries from implementing protectionist measures as well as fomenting trade liberalization in certain sectors, especially for intermediate goods and food products.

While less transparent measures have been preferred when restricting trade (affecting mainly the import of minerals, machinery, vehicles and food items), trade liberalization has been conducted mainly through tariff reduction or elimination.

The manufacturing sector is the most affected by less-transparent measures both in the region and globally, followed by the agricultural sector. The most targeted products by initiations of trade remedy measures in the region have been steel, organic chemicals, machinery and mechanical appliances, paper and man-made staple fibres. The unchanged product coverage before and after the crisis, coupled with only small increase in the use of trade remedies compared with non-crisis periods, suggests that these actions have not been used by firms as an effective instrument to deal with crisis-induced market pressures. However, some countries have been affected significantly, as in the case of China that faces substantially higher anti-dumping duties than those imposed on products from other countries. It is also found that the use of anti-dumping measures is increasingly becoming a South-South phenomenon, with China being the main target.

Even though the cumulative trade impact of import restrictions has been low especially because protectionist measures have been narrowed to specific products or firms, protectionist pressures are far from extinct. There were relatively more discriminatory measures with the worsening of economic performance and tariffs remain an obstacle to participation of developing countries and their small and medium-sized enterprises in international trade.

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ANNEX

The Index of Protectionism Severity is based on the values of four variables presented by Global Trade Alert database: (1) number of tariff lines affected by discriminatory measures implemented; (2) number of sectors affected by discriminatory measures implemented; (3) number of trading partners affected by discriminatory measures implemented, and (4) total number of red measures implemented since November 2008.

For each country, the values of the four variables are normalized by scaling them between 0 to 1 and then summed up assigning to the variables the same weight. The result is then normalized by scaling it between 0 to 1. As a result, the Index of protectionism severity ranges between 0 (no harm caused) to 1 (highest degree of severity of the measures implemented).

Index of protectionism severity

	Tariff lines affected	Sectors affected	Trading partners affected	Total red measures	Overall index
Russian Federation	0.51	1.00	0.76	1.00	1.00
China	0.75	0.98	1.00	0.34	0.94
India	0.58	0.68	0.89	0.58	0.84
Viet Nam	1.00	0.74	0.78	0.14	0.81
Kazakhstan	0.78	0.94	0.56	0.31	0.79
Indonesia	0.59	0.79	0.88	0.29	0.78
Japan	0.21	0.58	0.70	0.30	0.55
Republic of Korea	0.21	0.64	0.64	0.09	0.48
Australia	0.05	0.75	0.39	0.18	0.42
Iran, Islamic rep.	0.18	0.60	0.35	0.04	0.36
Turkey	0.10	0.42	0.38	0.19	0.33
Malaysia	0.03	0.26	0.54	0.03	0.27
Thailand	0.04	0.23	0.55	0.04	0.26
Sri Lanka	0.06	0.26	0.40	0.06	0.24
Uzbekistan	0.07	0.28	0.15	0.04	0.17
Pakistan	0.04	0.15	0.24	0.07	0.15
Singapore	0.01	0.09	0.11	0.06	0.08
Kyrgyzstan	0.02	0.15	0.04	0.03	0.07
Philippines	0.01	0.08	0.06	0.02	0.05
New Zealand	0.00	0.09	0.02	0.03	0.05
Azerbaijan	0.00	0.09	0.00	0.01	0.03
Myanmar	0.00	0.04	0.04	0.00	0.03
Hong Kong, China	0.00	0.02	0.05	0.00	0.02
Armenia	0.01	0.02	0.04	0.01	0.02
Mongolia	0.00	0.04	0.00	0.01	0.01
Bangladesh	0.01	0.02	0.01	0.00	0.01
Maldives	0.00	0.02	0.01	0.00	0.01
New Caledonia	0.00	0.00	0.01	0.00	0.00

Source: ESCAP calculation, based on data from GTA database. Accessed 31 July 2013.

ENDNOTES

[32]At the Trade Policy Review Body (TPRB) meetings in July and October 2012, members requested measures recorded in the trade monitoring reports be presented separately; according to a different categorization than the one used up to mid-May 2012. The WTO TPBR 2012 (WTO, 2012) includes six annexes (instead of two in the past) on: (i) trade-facilitating measures, (ii) trade remedy measures, (iii) other trade and trade-related measures, (iv) general economic support measures, (v) sanitary and phytosanitary (SPS) measures and (vi) technical barriers to trade (TBT) measures. While WTO TPRB Report 2013 (WTO, 2013a) includes four annexes (instead of six in the past) on: (i) trade-facilitating measures, (ii) trade remedy measures, (iii) other trade and trade-related measures and (iv) general economic support measures.

[33]This group covers only part of the protectionist measures implemented.

[34]The measures implemented by more than one country are counted separately for each country.

[35]An independent monitoring initiative providing information on state measures likely to affect world trade taken since 2008, available from www.globaltradealert.org/.

[36]For example, this is the case of Turkey, having increased tariffs on certain grains to 130% in May 2009, and then eliminated them in February 2011.

[37]Information on the measures included in WTO Report is collected from inputs submitted by Members and Observer Governments, as well as from other official and public sources. On the other hand, GTA database draws upon expertise from independent research institutes in seven regions, which are responsible for monitoring state measures introduced. GTA also encourages third parties to submit measures for scrutiny.

[38]WTO Report includes restrictive measures related to custom procedures, other taxes on imports, quantitative restrictions for imports or exports and export duties. Under GTA categorization, the following are considered protectionist measures that are other than tariffs (and trade defence measures): bail-out/state aid measures, competitive devaluations, consumption subsidies, export subsidies, export taxes or restrictions, import bans, import subsidies, intellectual property protection, investment measures, local content requirements, migration measures, non-tariff barriers (not otherwise specified), other service sector measures, public procurements, quotas (including tariff rate quotas), sanitary and phytosanitary measures, state trading enterprises, state-controlled companies, sub-national government measures, technical barriers to trade and trade finance.

[39]Since mid-May 2013, four new discriminatory measures considered less-transparent have been reported. As for the liberalizing measures, no new measures have been reported.

[40]Data accessed 31 July 2013.

[41]India is the main initiator (12 measures), followed by China (8 measures).

[42]The average ad valorem duty imposed by the United States on Chinese exports during the post-crisis period was 149%. This is compared to 45% on the products of other exporters. Where data are available, the same pattern is observed for ad valorem duties imposed by other countries on China.

[43]For the period from October 2011 to September 2012, WTO (2012) estimates that the trade coverage of the 372 SPS measures (out of a total of 885 SPS measures), for which HS codes were provided and import data was available, is around 1.4% of world merchandise imports.

[44]Generally, Governments are required to submit advance notification for the implementation of a newly proposed regulation. This is to provide trading partners an opportunity to comment (regular SPS). The emergency measures are adopted when Governments feel the necessity to act without delay. In this case, the government must immediately notify other Members, through the WTO secretariat.

[45]Accessed 31 July 2013 and available from http://spsims.wto.org/Default.aspx?Lang=0 .

[46]From October 2011 to September 2012, WTO (2012) estimates that the trade coverage of the 569 TBT measures (24% of total notifications), which HS Codes were provided and import data was available, represent around 5.2% of world merchandise imports.

[47]Accessed 31 July 2013, and available from http://tbtims.wto.org/Default.aspx?Lang=0.

[48]Red measures are those already implemented and almost certainly discriminating against foreign commercial interest.

[49]All Asia-Pacific countries for which data are available and index is higher than 0 are listed in annex 1.

[50]Only measures which affected trade partners and product categories are available, have been considered in the analysis.

[51]Henn and McDonald (2011) suggest considering this result as a lower bound because of the use of 4-digit tariff lines (due to data availability reasons). With the more appropriate use of 6 or 8-digit tariff level for these measures, the estimates would, in all likelihood, be higher. This is due to the largest part of trade in the corresponding 4-digit category being unaffected by protectionism and should therefore not exhibit a correlation with the protectionist dummy.

[52]Also, supposing that the excluded measures were exactly as restrictive as those in the estimation sample, the impact would rise to 0.34%.

[53]The basics of this econometric analysis is to match data on import restrictions with detailed data on actual bilateral trade flows.

[54]The former Director-General of WTO, Pascal Lamy (2012),

has stated in his address to the 59th session of UNCTAD Trade and Development Board, "of course, regional and global value chains are not new (…) but what is new are their unprecedented scale, scope, sophistication and speed. Today, trade in intermediate products accounts for more than half of world merchandise exports. Shrinking transport and communication costs (…) have enabled industrial production to be fragmented across regions as never before".

[55]Using the Grossman-Helpman (1994) protection-for-sale model, Gawande, Krishna and Olarreaga (2011) show how counter-lobbying by downstream industries controls the demand for protection by upstream producers that compete with imports.

[56]Examples of these initiatives are those led by the World Bank, GTA and WTO.

[57]The data are collected from GTA database, accessed 27 May 2013.