Sally, Razeen

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Trade Policy In The BRIICS: A Crisis Stocktake And Looking Ahead

Razeen Sally
Razeen Sally (razeen.sally@ecipe.org) is Director of ECIPE

This is a snapshot of trade policy in the BRIICS (Brazil, Russia, India, Indonesia, China and South Africa).[1] The latter are the largest developing countries in their respective regions. Readers are familiar with Goldman Sachs's BRICS foursome (Brazil, Russia, India and China). Here I add Indonesia and South Africa, the most populous countries in southeast Asia and southern Africa respectively.

All BRIICS have seen substantial trade and foreign-direct-investment (FDI) liberalisation since the 1980s. But the global economic crisis has generated protectionist pressures in the BRIICS, as it has elsewhere. How big is the rise of protectionism in the BRIICS? How can it be contained? How necessary is further reform of their trade and FDI regimes? What are the links between external liberalisation and domestic regulatory reform? What is the balance between unilateral measures (undertaken independently by national governments) and reciprocity (undertaken through trade negotiations and agreements with donors)? What are the political and institutional requisites for further trade-policy reforms? And what obstacles lie in their path?

The next section sets the scene by looking at the global climate for trade policy from the heyday of the Washington Consensus to the present crisis. The following

SUMMARY

The BRIICS – Brazil, Russia, India, Indonesia, China and South Africa - are the largest developing countries in their respective regions. A snapshot of their trade policies shows they have already liberalised trade and foreign direct investment extensively, and thereby plugged themselves into globalisation. This has helped to deliver higher growth, poverty reduction and improvements in human welfare. But external liberalisation has stalled. Creeping protectionism has set in. It has accelerated in the wake of the global economic crisis, generally translating into behind-the-border regulatory barriers emerging from domestic "crisis interventions". The BRIICS should have the following trade-policy priorities. *First,* in the short-term, they should counter creeping, crisis-related protectionism by containing the expansion of government at home. *Second,* looking beyond the immediate crisis, they should couple further trade and FDI liberalisation with behind-the-border regulatory reforms to improve the domestic business climate. *Third,* second-generation reforms are overwhelmingly domestic in nature. They should be done *unilaterally,* with less reliance on trade negotiations through the WTO and FTAs -- not to mention the G20 and other "global-governance" paraphernalia. *Fourth,* unilateral reforms should be locked in through stronger WTO commitments, which should emerge from a post-Doha rule-improving agenda. *Fifth,* the BRIICS should exercise caution with "trade-light" FTAs. And *sixth,* all BRIICS need more trade-policy transparency. "Transparency boards", inside and outside government, should conduct and disseminate detailed analysis of the costs and benefits of trade policies in order to facilitate better deliberation of policy choices.

TABLE 1: ECONOMIC AND TRADE INDICATORS 2007

Countries/ economy	GDP Current (US$ bn)	GDP Growth (%)	Popula-tion (mn)	PPP Per Capita GDP (US$)	PPP GDP (US$ bn)	Mer-chandise Exports (US$ bn)	Total Mer-chandise Trade (US$ bn)	Service Exports (US$ bn)	Total Service Trade (US$ bn)	Trade/ GDP (%)	FDI Inflow (US$ bn)	FDI Inflow / GDP (%)
World	54 583,8	3,8	6 610,3	8 257,4	65 973,1	13 952,4	28 096,9	3 421,0	6 575,1	56,9	1833,3	3,4
EU b.	14 546,5	2,9	494,4	27 904,6	13 795,3	1 704,1	3 671,6	665,3	1 215,8	26,4	804,3	5,5
US	13 751,4	2,0	301,6	45 591,7	13 751,4	1 162,5	3 182,9	493,2	871,3	28,2	232,8	1,7
Brazil	1 313,4	5,4	191,6	6 854,7	1 833,0	160,6	287,2	23,9	61,1	26,2	34,6	2,6
Russia	1 290,1	8,1	142,1	9 078,7	2 087,4	355,2	578,6	39,4	98,6	52,3	52,5	4,1
India	1 176,9	9,1	1 124,8	1 046,3	3 096,9	145,3	361,9	75,4	138,9	45,7	23,0	2,0
Indonesia	432,8	6,3	225,6	1 918,3	837,6	118,0	210,4	12,5	36,8	54,7	6,9	1,6
China	3 205,5	13,0	1 318,3	2 431,5	7 096,7	1 217,8	2 173,7	122,2	252,3	74,2	83,5	2,6
South Africa	283,0	5,1	47,9	5 914,4	466,9	69,8	160,8	13,6	30,2	66,4	5,7	2,0
TOTAL BRIICS	7 701,7	-	3 050,3	27 243,8	15 418,5	2 066,7	3 772,7	286,9	617,9	-	206,2	-

Source: World Bank WDI, WTO Statistical Database, UNCTAD WIR
a. Numbers for Indian Services trade; USA and World Trade/GDP for year 2006
b. Numbers from WTO, except for FDI

sections review the trade-policy profiles of the BRIICS. Each country section assesses tariffs and non-tariff barriers in trade and FDI in goods and services; trade-related business-climate indicators; patterns of trade and FDI; multi-track trade policy (i.e. on unilateral, WTO and RTA tracks); and trade-policy responses to the global economic crisis. The conclusion identifies trade-policy priorities and challenges ahead for the BRIICS.

SETTING THE SCENE: FROM THE WASHINGTON CONSENSUS AND EXTERNAL LIBERALISATION TO THE ECONOMIC CRISIS AND EMERGING PROTECTIONISM

The BRIICS have been part of a trade-policy revolution since the early 1980s. Their cross-border trade and capital flows – though not of people – have become much freer. There is less discrimination between domestic and international transactions. Domestic prices of tradable goods and services are closer to world prices. In terms of measures undertaken: Import and export quotas, licenses, state trading monopolies and other non-tariff barriers (NTBs) have been drastically reduced. Tariffs have been simplified and reduced. So have foreign-exchange controls, with unified exchange rates and much greater currency convertibility, especially on current-account transactions. FDI has been liberalised, with fewer restrictions on entry, ownership, establishment and operation in the domestic economy. And services sectors have been opened to international competition through FDI liberalisation, privatisation and domestic deregulation.

Overall, the BRIICS have become more globalised, with increasing trade-to-GDP ratios, and growing shares of world trade and exported value-added. OECD analysis indicates that those countries and sectors in the BRIICS that have opened up most have enjoyed the largest growth spurts. Export-oriented manufacturing in China, much of it driven by openness to inward investment, is one notable example. The emergence of efficient international services providers in India, especially in a young, lightly regulated IT sector, is another.[2]

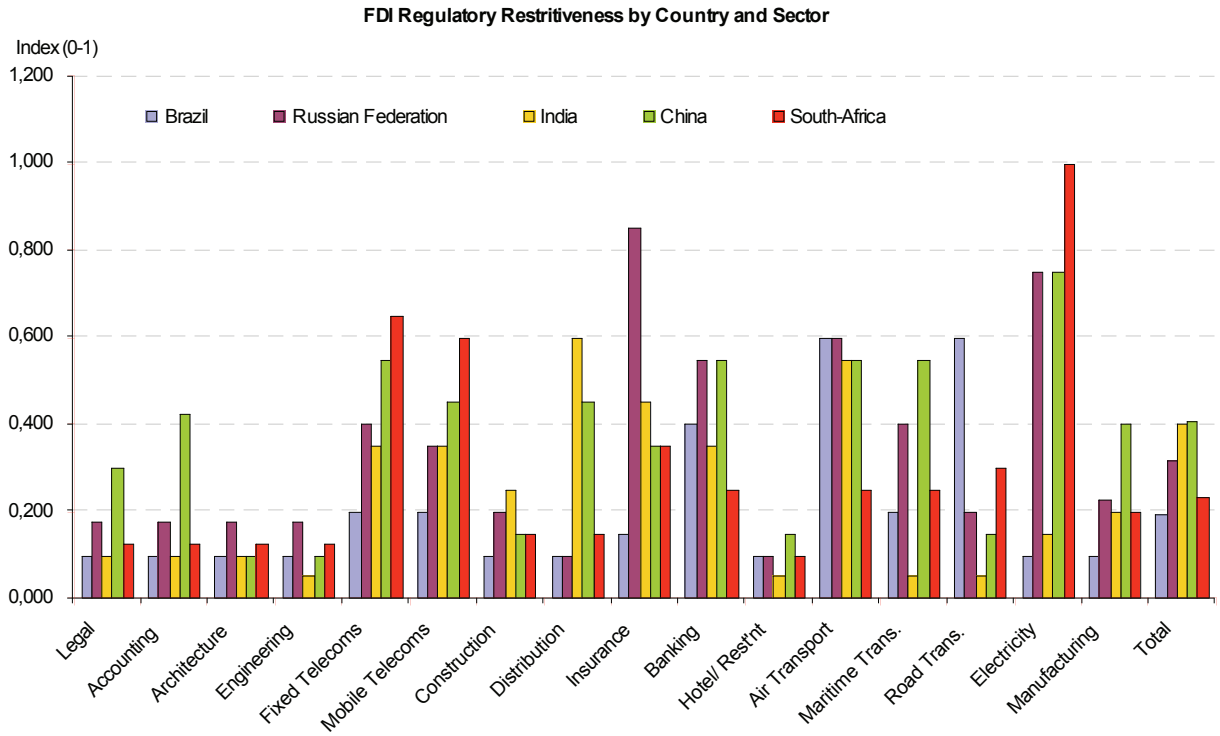
That said, levels of protection in the BRIICS on almost all counts – tariffs, NTBs, FDI and services restrictions -- remain considerably higher than they are in developed countries. Even before the onset of the global economic crisis in late 2008, there was much less appetite in the BRIICS for further liberalisation and associated structural reforms compared with the heyday of the Washington Consensus in the 1980s and 1990s. On the whole reforms were not reversed (Russia is the notable exception), but their forward momentum stalled. Governments became more sceptical and defensive about further liberalisation;

TABLE 2: BOUND AND APPLIED MFN TARIFFS (WTO - COUNTRY PROFILE REPORT 2009)

Country/ economy	Year	Tariff Binding Coverage in % (All Goods)	Simple Average Final Bound (All Goods) a.	Simple Average Applied Tariff (Manufactures)	Simple Average Applied Tariff (Agriculture)	Simple Average Applied Tariff (All Goods)	Trade Weighted Average (All Goods) b.	Maximum MFN Applied Duties
EU	06/07	100,0	5,4	3,8	15,0	5,2	3,0	231
US	06/07	100,0	3,5	3,2	5,5	3,5	2,1	350
Japan	06/07	99,6	5,1	2,6	21,8	5,1	2,0	648
Brazil	06/07	100,0	31,4	12,5	10,3	12,2	8,7	35
Russia	06/07	-	-	10,5	14,6	11,0	11,8	484
India	06/07	73,8	50,2	11,5	34,4	14,5	8,0	289
Indonesia	06/07	96,6	37,1	6,7	8,6	6,9	4,0	150
China	06/07	100,0	10,0	9,0	15,8	9,9	5,0	65
South Africa	2006	96,6	19,1	7,6	9,2	7,8	6,4	99

a. Simple Average of ad-valorem duties
b. 2006
Source: WTO Tariff Profiles

FIGURE 1: FDI REGULATORY RESTRICTIVENESS FOR BRIICS (EXCEPT INDONESIA) BY COUNTRY AND SECTOR

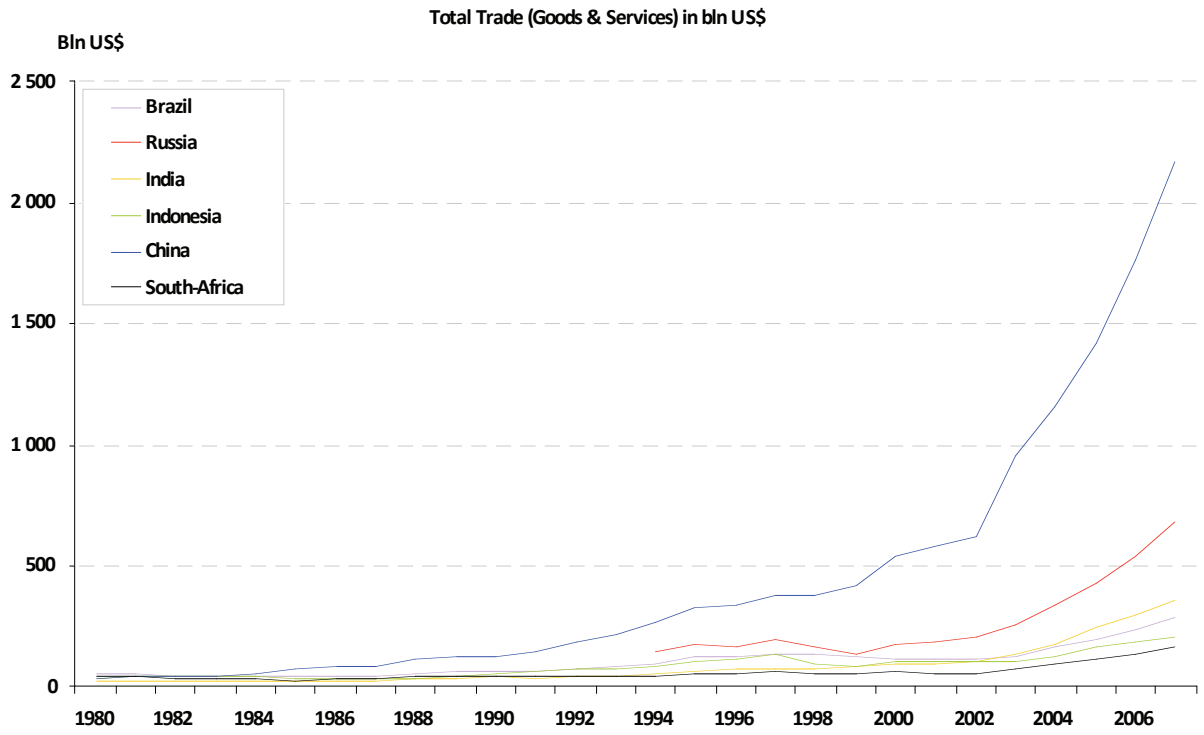


Source: Koyama and Golub (2006) OECD'S FDI Regulatory Restrictiveness Index: Revision and Extension to more Economies, Economic Department Working Papers No. 525, pp. 8-10 OECD, Paris

and there was relatively little in the way of "second-generation" reforms (in domestic trade-related regulations and institutions) to underpin external liberalisation and boost competition.

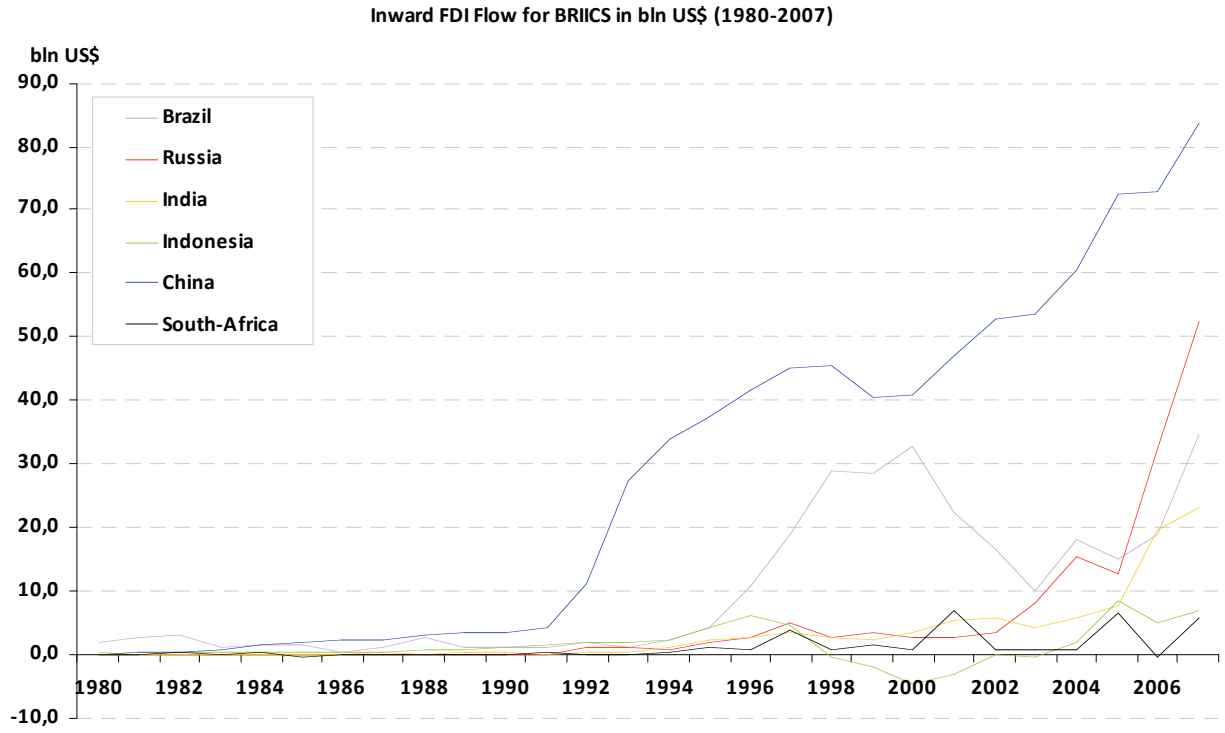
The last few years have seen *creeping* protectionism (rather than major liberalisation-reversal) in the BRIICS and other developing countries. Symptoms include FDI restrictions to protect "national champions" in "strategic" sectors, and export controls on agriculture and other commodities to combat food and fuel inflation. Creeping protectionism has clearly accelerated in the wake of the

FIGURE 2: TOTAL TRADE IN GOODS AND SERVICES IN BLN US$ (1980-2007)



Source: World Bank WDI

FIGURE 3: INWARD FDI FLOW FOR BRIICS IN BLN US$ (1980-2007)



Source: UNCTAD WIR

TABLE 3: WORLD RANKING IN EASE OF DOING BUSINESS (2008/9)

	Ease of Doing Business	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
US	3	6	26	1	12	5	5	46	15	6	15
Singapore	1	10	2	1	16	5	2	5	1	14	2
Hong Kong	4	15	20	20	74	2	3	3	2	1	13
Japan	12	64	39	17	51	12	15	112	17	21	1
Brazil	125	127	108	121	111	84	70	145	92	100	127
Russia	120	65	180	101	49	109	88	134	161	18	89
India	122	121	136	89	105	28	38	169	90	180	140
Indonesia	129	171	80	157	107	109	53	116	37	140	139
China	83	151	176	111	30	59	88	132	48	18	62
South Africa	32	47	48	102	87	2	9	23	147	82	73

Note: The numbers correspond to each country's aggregate ranking on the ease of doing business and on each of the ten topics that comprise the overall ranking.
Source: The World Bank Doing Business Database: http://www.doingbusiness.org

global economic crisis. The intellectual climate has shifted decisively against free markets and in favour of greater government regulation. Regulatory responses, whether under cover of financial reregulation, fiscal-stimulus packages or renewed industrial policy, threaten to spill over to external protectionism. Early signs (since late 2008) are selective import-tariff increases in some developing countries; import-licensing restrictions; a rise in trade remedies, especially anti-dumping actions; more discriminatory government-procurement measures; further FDI restrictions; tighter controls on foreign workers; explicit or implicit trade-distorting subsidies for domestic manufacturers and banks; and greater use of trade-restricting product standards.

Nevertheless, the protectionist response to the global economic crisis has been muted – so far. A relatively small number of developing countries have raised tariffs, and only on a limited range of products (mainly dairy, iron and steel, cars and car parts, chemicals and plastics, and textiles and clothing). The use of NTBs has also increased moderately. New anti-dumping investigations have not increased to alarming proportions. Trade-restricting measures in agriculture, textiles and clothing -- for long bastions of protectionism -- have been remarkably mild to date. Apart from financial services, new protectionism in services sectors has been largely absent. Some developing countries have increased subsidies to banks and industrial firms, but not nearly to the same extent as developed countries. On the other hand, several developing countries have *liberalised* in response to the crisis, e.g. Mexico on import tariffs and Malaysia on FDI restrictions in services sectors.[3] Indeed, given large and sudden contractions of global growth, trade and FDI, trade-and-investment barriers have not increased as much as could have been expected at the end of last year. A quantum leap in protectionism *à la* the 1930s has *not* occurred. Nor is it a likely short-term prospect.

But there remain worrying signs. The parallel is with the 1970s, not the 1930s. In the seventies, governments increased domestic interventions – fiscal-stimulus packages, sectoral subsidies, labour-market and capital-market restrictions – in response to the oil-price hikes and other external shocks. This spilled over into protectionism, mainly through NTBs such as discriminatory subsidies, "buy local" government-procurement initiatives, "voluntary export restraints" and "orderly market arrangements". This "managed trade" or "new protectionism" lasted well into the 1980s, affecting about half of international trade. It deepened and prolonged economic stagnation. This is the kind of creeping protectionism, manifested in complex regulatory barriers and emerging slowly, insidiously, from bigger, more arbitrary government at home, that we should now worry about.[4]

Now let us see how the BRIICS fit into this big picture. The next sections outline trade-policy developments in

each country, including responses to the global economic crisis, and highlight the challenges ahead. Start with China – by far the most important of the BRIICS.

CHINA

China undertook enormous unilateral trade and FDI liberalisation, especially in the 1990s. This was locked in and extended by very strong commitments when China became a member of the WTO in 2001. Such opening enabled China to displace Japan as the world's third largest trading nation, with 7% of world trade by 2007 (and 8.7% of world goods exports). This is streets ahead of the other BRIICS. China's trade-to-GDP ratio is 74% – extraordinarily high for such a hugely populous country. Nevertheless, *net* exports are only about a sixth of GDP. That is because they are mostly produced by labour-intensive assembly of imported components, and generate modest local value-added. China has been the second-largest FDI recipient in the world since 2000. Inward FDI was USD 83 billion in 2007 (Table 1). China's (much smaller) outward FDI has also been increasing rapidly.

China's simple average tariff is about 10 %. All tariffs are bound in the WTO at very close to applied rates. The weighted average tariff is 5% – the second-lowest of all the BRIICS (Table 2). Overall, China's border barriers on goods trade have come down to southeast-Asian levels. GATS commitments are also very strong. But in practice China remains more protected in services than it is in goods trade. It is also generally more restrictive towards FDI. Key services sectors such as telecoms, banking, aviation and electricity remain highly protected (Figure 1)
In terms of the overall business climate, China ranks 83rd in the World Bank's *Doing Business* Index - a low score, but a significant improvement over the past few years and clearly ahead of Russia, India, Brazil and Indonesia. For "trading across borders" it is way ahead of South Africa, Russia, Brazil and India (Table 3).

On the WTO front, China has implemented the bulk of its huge commitments in timely fashion. However, other WTO members, and notably the USA, have complained that China has not adequately implemented its WTO obligations in key areas such as intellectual property rights, services and subsidies. China has taken a backseat in the Doha Round – except when it conspicuously helped to block a deal in July 2008. China has also been active in the WTO's ongoing committee work, and in dispute settlement. Since about 2006 it has faced several sensitive cases brought against it by the USA.

China is arguably the most important player in Asian FTAs. East Asia is its FTA focus. A China-ASEAN FTA is due to be completed by 2010. It eliminates tariffs on over 90 per cent of trade in goods, but makes little dent into non-tariff barriers in goods, services and investment. Generally, China's approach to FTAs is driven more by foreign-policy "soft-power" than by economic strategy: it is mostly "trade light".

China is also at the heart of regional economic integration initiatives, notably APEC's FTAAP (Free Trade Area of the Asia Pacific), ASEAN Plus Three (China, Japan and South Korea) and ASEAN Plus Six (including Australia, New Zealand and India). But this is generally loose and empty talk. Nationalist rivalries and vast inter-country economic differences will stymie Asian integration efforts for a long time to come.

There has been paltry unilateral liberalisation going beyond China's WTO commitments. Indeed, liberalisation has stalled since about 2006, corresponding with more industrial-policy measures to promote selected domestic sectors. The already complex export regime, comprising tariffs, bans, tax rebates, licensing and quotas, has become considerably more restrictive. Tax incentives, subsidies, price controls, as well as administrative "guidance" on investment decisions, are used to favour domestic sectors over imports, especially in capital-intensive sectors where state-owned enterprises (SOEs) and assorted "national champions" operate. Unique national technical standards, e.g. for 3G mobile phones, have been promoted. Notably, legislation and "guiding opinions" have enlarged the basket of goods and services sectors in which foreign investment is banned or restricted. The Antimonopoly Law, effective from August 2008, contains vague language on the "public interest", "national economic security" and "unreasonable" prices, and no definition of market dominance. It has sweeping exemptions for SOEs. Its existence has probably stalled several deals involving foreign-owned firms; and it was used to block Coca Cola's acquisition of Huiyuan Juice (what would have been the biggest foreign takeover of a Chinese company).

China's response to the global economic crisis is a supercharged fiscal stimulus, advertised as a USD 585 billion package. This is overwhelmingly fixed-asset investment in physical infrastructure. Its engine is ramped-up lending by state banks to industrial SOEs.

What about trade? Exports shrunk by 19 per cent in the second half of 2008, and continued a similar rate of decline to mid-2009. Imports shrunk correspondingly. But so far protectionist responses have been relatively restrained. VAT rebates on labour-intensive exports have been increased – but this follows past practice, compensates for rebate reductions in 2006/7 and is not exactly clear-cut protectionism. "Buy Chinese" government procurement is to be extended at national, provincial and municipal levels, especially as part of fiscal-stimulus measures – but China has long-standing discriminatory government procurement and is not a member of the WTO's Government Procurement Agreement (GPA). Tighter standards have been used to ban a few European agricultural products. Subsidies and lower sales taxes have favoured the domestic car industry. And a new Postal Law bans foreign companies from providing domestic express-delivery services (Table 4 in Annex)

In June 2009, China peremptorily announced that PC-makers would have to install a locally-produced internet filter, ostensibly to block pornography. In reality it was spyware technology, intended to tighten internet censorship and discriminate against US technology companies. The measure was soon "delayed" following a barrage of opposition. At the same time, China blocked access to Google.cn, Google.com and Google's internet-based email services -- which Google interpreted as a measure to support local search engines at Google's expense. Lastly, the USA and EU took China to WTO dispute settlement over the imposition of export restrictions on raw materials, mainly used for aluminium and steel production. The former argue that this constitutes unfair subsidisation of Chinese producers. However, this dispute has been brewing for some time and predates the economic crisis.

On the other hand, China has recently reduced or eliminated some export duties, and opened up the domestic market to foreign travel agencies. And it is the most frequent target of other countries' new protectionism, e.g. tariffs, import licensing, anti-dumping duties and tighter standards on exports of iron, steel, aluminium, footwear and toys.

China has succeeded far more than the other BRIICS in exploiting comparative advantage (in its case in labour-intensive manufactures), generating very high growth rates, and translating the latter into employment and poverty reduction. High rates of saving and investment have driven growth, but they have also repressed domestic consumption. *Dirigiste* policies continue to favour polluting, capital-intensive industrial SOEs, state banks in a backward financial system and capital markets, and monopolistic services providers in other sectors. Externally, surplus savings (equivalent to a trade surplus) amounting to 10 per cent of GDP contribute mightily to global economic imbalances and generate extra trade tensions.

"Rebalancing growth" – making it more consumption- and less investment-driven -- requires deep competition-enhancing reforms. These range from public-sector and financial-sector reforms to secure private property rights, deregulation of internal trade, market pricing for resource inputs, and better provision of health, education, pensions and social security. Market liberals would also like to see "WTO-plus" trade and FDI liberalisation: reversal of export restrictions and import-tariff reductions; limits to industrial-policy activism through discriminatory standards, subsidies and foreign-investment controls; less regulatory discretion and more transparency in trade procedures; better enforcement of intellectual property rights; accelerated services liberalisation; and liberalised markets in government procurement and energy. The thrust of these trade-related reforms can only be unilateral, and hitched to domestic reforms to improve the business climate. They cannot be driven "top-down" by trade negotiations. But they would enable China to be more proactive and exercise real co-leadership in the WTO, especially in shaping a post-Doha agenda. And they would contribute to "constructive engagement" in bilateral relations with the USA, EU and other powers.

Undertaking wide and deep regulatory reforms, including second-generation trade reforms, is a tall order – much harder than the external liberalisation that has occurred to date. It goes to the heart of the Communist Party-government-public sector nexus and its grip on power. It is unlikely to happen anytime soon. Indeed, the present fiscal

stimulus – essentially an investment binge – can be read as a way of bolstering the public sector and state power at the expense of the unsubsidised, unprotected domestic private sector. It might be succeeding in arresting growth slowdown in 2009, but it could exacerbate China's structural fault-line of over-investment and under-consumption. That could include surplus manufacturing capacity flooding into shrinking global export markets, thereby inviting protectionist retaliation against China.[5]

Commendably, the Beijing leadership has not rocked the boat in this economic crisis: it has not resorted to aggressive mercantilism. Protectionist responses have been heavily constrained by China's already deep integration into the global economy, particularly through manufacturing supply chains, and by its strong WTO commitments. But stalled trade and FDI liberalisation, the absence of domestic structural reforms and creeping protectionism threaten future trade tensions. Recent trade conflicts with the USA and EU over internet censorship and export restrictions should not be exaggerated: they do not amount to a trade war. But, if mishandled, they could escalate into something worse. Finally, this context diminishes China's ability to look outward and exercise leadership in the world economy.

INDIA

Trade and FDI liberalisation, especially after 1991, has been critical to India's recent integration into the global economy. The trade-to-GDP ratio climbed rapidly to 45% by 2007. Trade in services has grown particularly fast, and is bunched in IT and IT-related sectors. Resource-based manufacturing features prominently in India's merchandise exports, though there is export potential in more skill-intensive products in chemicals, engineering, cars and car parts, and pharmaceuticals. India continues to underperform badly in labour-intensive exports. Overall, India accounts for only 1.5% of world trade. It is also well behind China in attracting FDI. Inward investment flows have been increasing rapidly, however, reaching USD 23 billion in 2007 (Table 1). Outward FDI has also been increasing rapidly.

Most border NTBs have been removed, as have internal licensing restrictions. Nominal average applied tariffs have come down to 14.5%. The maximum tariff on most non-agricultural goods is 10%. However, in agriculture, tariffs and NTBs remain much higher. India has bound 74% of its tariffs in the WTO at an average rate of 50% (Table 2).

Despite big cuts, India's tariff structure remains more protectionist than those of some other BRIICS. Its trade-weighted tariff, now down to 8 per cent, is higher than it is for China, Indonesia and South Africa. Intermediate inputs and consumer goods face relatively high tariffs. The effective rate of protection for manufacturing, though it has decreased, remains high compared with east-Asian countries and other BRIICS. In addition, the Government of India operates an extremely complex, bureaucracy-ridden system of duty exemptions, special establishment and investment regulations, and Special Economic Zones (SEZs) to encourage exports. Also, India has become the world's most active user of anti-dumping duties. It initiated 42 anti-dumping investigations (out of 120 worldwide) in 2008.

Manufacturing is now fairly open to FDI, but that is less the case in services. Professional services, banking, insurance, distribution and aviation face fairly high levels of protection (Figure 1). For example, IKEA has abandoned plans to set up in India because full foreign ownership of single-brand stores is not allowed. Foreign investment in multi-brand stores, including supermarkets, is banned. However, recent rule changes may allow companies to get round sectoral caps on foreign equity. One regulation allows an Indian holding company with up to 49% foreign equity to invest in "downstream" companies without counting the holding company's foreign equity. Another allows FDI to be counted with different types of foreign portfolio investment. But both are incredibly opaque and baffling, and appear designed to maximise lobbying and special favours for well-connected companies.

India's trade and FDI liberalisation has come about almost totally through unilateral measures. But this has not translated into much greater flexibility in the WTO. India's GATT and GATS commitments are weak. It is a lead player in the Doha Round, but remains defensive, especially in agriculture and industrial goods.

India has become very active with FTAs, but this is mostly about foreign policy and is very trade light. A South Asian

FTA (SAFTA), supposed to come into force in 2010, is unachievable in practice: it excludes Indo-Pakistani trade and otherwise only covers goods (with plenty of exemptions). An India-ASEAN FTA is due to be completed by 2011, and exists alongside bilateral FTAs with several ASEAN countries. For the most part, these do not go deeper than tariff elimination, and even the latter is hedged about with restrictive rules of origin for several products covered. India has or is planning mini-FTAs -- basically limited tariff-concession schemes – with several other developing countries. India's most serious FTA negotiation is with the EU, but with very little progress to date.

India is placed 122nd overall in the World Bank's *Doing Business* index and 90th overall for "trading across borders" – much worse than China (Table 3). This is a reflection of very high and largely unreformed domestic regulatory barriers. These include draconian employment laws, reserved sectors for small-scale industries (though this list has been reduced), high and differing barriers in the states (India being a federal system), extremely interventionist agricultural policies (subsidies, price controls and other internal trade barriers), domestic restrictions on services sectors, huge subsidies and price controls on energy, lack of rural property rights, and very inefficient, corrupt public administration. Public-sector reform has hardly begun.

India's response to the global economic crisis has been fiscal-stimulus packages amounting to about USD 60 billion – though, unlike China, in the context of deteriorating public finances, with the consolidated fiscal deficit climbing to 12 per cent this year. Protectionist measures have increased, though not in a major way. Higher import tariffs, licensing requirements, provisional AD duties and tighter standards restrictions have been applied to iron, steel, yarn, soyabean oil and aluminium. There are new import bans on Chinese toys and cellphones, and an extension of an import ban on Chinese poultry. Several new safeguard investigations, some China-specific, have been initiated since early 2009. In the wake of the global financial crisis, the Reserve Bank of India has postponed plans to allow foreign banks greater access to the domestic market. On exports, some tariffs have been eliminated and incentives, such as VAT rebates, increased (Table 4 in Annex).

The general election of May 2009 delivered an unexpectedly strong mandate to Dr. Manmohan Singh's Congress-led government. India looks set to have its most stable government in over twenty years. This has spawned exuberant optimism that market reforms, stalled since 2004, will be rolled out. That hope extends to further tariff reductions and increases in FDI caps on insurance, retail and aviation. But I am not so optimistic. Dr. Singh and his "dream team" have proved bogus, not genuine, reformers in the past five years; and anti-market sentiment is stronger in the Congress Party in the wake of the global economic crisis.[6]

India's high growth rates, averaging 8-9% in the last few years, have not delivered the employment, poverty reduction and human-welfare improvements of comparable (or higher) growth rates in China and other parts of east Asia. Growth has come from capital- and skill-intensive sectors in manufacturing and services. It has primarily benefited the urban well-to-do and middle classes, but not flowed down appreciably to the poor in the rural areas - the bulk of India's population. For that to change, India needs labour-intensive growth in goods and services, and corresponding exploitation of its comparative advantage in labour-intensive exports. India needs its Industrial Revolution so that the impoverished in the countryside can move to (initially) low-wage work in mass manufacturing.[7] That has yet to happen. And it demands regulatory reforms – not least in labour markets and the public sector – that remain politically very hard nuts to crack.

BRAZIL

Brazil's big opening after half a century of high protectionism started in the late 1980s. Its ratio of trade-to-GDP has gone up to about 26% - though this is low compared with the other BRIICS. It now has a diversified export basket, ranging from crude oil and processed minerals (such as petroleum products, coke and ethanol) to metals, chemicals, rubber, plastic, agricultural commodities, food-and-beverage products and manufacturing. That said, Brazil still accounts for only 1% of world trade. Inward FDI, having dropped from its peak in 2000, increased again from 2003, reaching almost USD 35 billion in 2007 (Table 1).

The nominal average tariff came down to about 13% by 1995. It is now 12.2%, indicating very little subsequent

trade liberalisation. This leaves distortions in the tariff structure, not least relatively high tariffs on imported intermediate products that keep local production costs high. Brazil bound all its tariffs at the end of the Uruguay Round, though at a high average of about 30% (Table 2).

Liberalisation through the 1990s has resulted in a relatively open market for FDI and services. Constitutional restrictions on FDI were amended or removed alongside large-scale privatisation. That still leaves equity limits and other restrictions, notably in banking, oil, mining and air transport. Brazil is noticeably more open to FDI than Russia, India and China in manufacturing and services (Figure 1).

Brazil has been a lead player in the WTO's Doha Round, especially through its leadership of the G20 in agriculture. And it has been active in dispute settlement, winning landmark cases against the USA on cotton and the EU on sugar. Brazil is also the south-American hub for bilateral and regional trade agreements. Mercosur is at the heart of this network, but it is a relatively weak customs union with several exceptions to its common external tariff and very little progress on NTBs, services and investment. Mercosur has several FTAs with third countries; and Brazil has stepped up FTA activity with developing countries outside the Americas. These are mostly very trade light, amounting to fixed preferences on a limited range of tariff lines.

Overall, Brazil relied on unilateral trade-and-FDI liberalisation to open the economy. Since 1994, trade negotiations – bilateral, regional and multilateral – have almost totally substituted for unilateral liberalisation, but they have delivered virtually zero liberalisation. Many business voices complain that Brazil's WTO and FTA activity is "geopolitics"- driven and lacks commercial sense. Its accommodation of India in the G20 has compromised its agricultural exporting interests; and defensiveness in NAMA does not reflect Brazil's export strength in industrial goods. Also, its new FTAs are with countries such as South Africa and India with which it does little trade, while it has deprioritised existing FTA negotiations with two of its three most important trading partners, the USA and EU.[8]

Brazil is ranked 125th overall in the World Bank's *Doing Business* Index – in the ball park of India, Indonesia and Russia. It is ranked 92nd in the "trading across borders" category – about as bad as India (Table 3). Opening and closing businesses, labour markets, pensions, public administration and the tax regime are particularly burdensome.

Brazil has hardly raised protectionist barriers in response to the global economic crisis, despite an export contraction of 33 per cent in the second half of 2008. The government has increased tariffs on some steel products and increased access to its export finance programme (Table 4 in Annex). Officials did prepare widespread import licensing and other import controls, but these were stopped by President Lula da Silva.

In sum, external liberalisation has made the Brazilian economy more efficient and allowed it to profit from favourable global economic conditions, especially the China-driven resources boom that lasted until 2008. But it has not translated into Chinese and Indian growth rates, and significantly higher living standards for the broad mass of Brazilians. Growth has averaged 2.2% *per annum* since 1989, though it climbed to 4-5% *per annum* for a few years until 2008. This growth deficit has much to do with entrenched domestic regulatory barriers and their "Brazil cost".

INDONESIA

Indonesia's decisive opening to the world economy took place from the mid 1980s to the early 1990s. This resulted in specialisation in labour-intensive manufactured exports, with corresponding inward investment. Indonesia's trade-to-GDP ratio is 55%, down from a pre-Asian crisis peak of close to 100%. Trade has recovered since the Asian crisis, but has not grown as fast as it has in the other BRIICS, except South Africa. Indonesia's share of world trade is under 1%. Inward investment dried up after the Asian crisis, but has recovered somewhat since 2004. However, inflows (about USD 7 billion in 2006) are much lower than in the other BRIICS, again except South Africa (Table 1).

Indonesia's simple average tariff is 6.9 per cent, with a trade-weighted average of 4 per cent – the lowest of the BRIICS. Nearly all tariffs are bound in the WTO, though at a high average of 37% (Table 2). Indonesia is the lowest user of AD measures among the BRIICS.

Indonesia has been generally defensive in the Doha Round, and particularly so in agriculture. Its top priority has been to exempt "special products" such as rice and sugar from agricultural liberalisation. It is also part of the regional scramble for FTAs. It belongs to the ASEAN Free Trade Area (AFTA) and is involved in plans for an ASEAN Economic Community (AEC). It is also part of collective ASEAN FTAs with China, Japan, South Korea, Australia-New Zealand and India. And it has a bilateral FTA with Japan. None of these FTAs has made much progress on NTBs and other regulatory barriers to trade.

Before the Asian crisis, Indonesia relied on unilateral trade and FDI liberalisation, with relatively little contribution from the WTO and FTAs. It stands out from the other BRIICS through the strength of IMF-imposed liberalisation, in the midst of the Asian crisis in 1998. Tariffs and NTBs were lowered further; FDI was opened up, including in services sectors; and internal trade restrictions, such as domestic monopolies, were also removed. These measures have not been reversed, but there has been creeping protectionism in agriculture, textiles and steel, mainly through NTBs. A monopsony on rice imports, held by the National Logistics Agency, BULOG, was introduced in 2008. A National Investment Law, introduced in 2007, strengthened protection of foreign investments, but also increased the number of sectors in which foreign investment is restricted. Greater foreign-equity limits were imposed in telecommunications, pharmaceuticals manufacturing and construction. Different ministries have issued decrees with new investment restrictions in sectors they regulate. A Mining Law, introduced in 2008, allows public authorities to cancel existing licenses, and insists that foreign investors give preference to local subcontractors and service companies, and process and smelt ore locally.

Indonesia also stands out as a high-cost economy. It is ranked 129th in the World Bank's *Doing Business* Index – the worst of the BRIICS. On the other hand, it has the best overall score among the BRIICS for "trading across borders" (in 37th place) (Table 3).

Next to Russia, Indonesia is probably the worst offender among the BRIICS in terms of new protectionist barriers since the onset of the global economic crisis. Its most egregious measure is a list of new import-licensing, reporting and pre-shipment inspection requirements on over 500 goods (including garments, toys, footwear, electronics, food and beverages). Furthermore, these goods can only enter through 6 seaports and all international airports. New mandatory standards for steel have been introduced alongside an increase in tariffs on steel imports. Import tariffs on pharmaceuticals and electronic products have also increased. A Health Ministry decree requires foreign pharmaceutical companies to manufacture locally in order to get drug approvals. Export certificates for palm oil, coffee, cocoa, rubber and mining products must be supported by letters of credit issued by domestic banks (Table 4 in Annex).

Like India, Brazil and South Africa, Indonesia has what seems like a "jobless growth" phenomenon -- often blamed on "excessive" liberalisation and globalisation. Indonesia's overall growth rates have not got back to pre-Asian crisis levels, and unemployment is at a record high. Trade and FDI have suffered less from border barriers and much more from political and economic instability, policy volatility and a worsening domestic business climate (including pervasive corruption). In particular, more restrictive employment laws have increased labour costs, and slowed down investment and employment generation. This has contributed to labour-shedding and stagnant productivity in textiles, clothing and footwear – the core export-oriented sectors of the economy.[9]

SOUTH AFRICA

South Africa is by far the smallest of the BRIICS by population, with the lowest levels of trade and FDI (Table 1). It was a highly protected economy under apartheid. Its opening to the world economy took place alongside its transition to multi-racial democracy in 1994. Now its trade-to-GDP ratio is about 66%. As a consequence of trade opening, South Africa better exploits its comparative advantage in capital-intensive primary and manufactured commodities. Trade growth accelerated in 2003-2008, driven by the global commodities boom. On the other hand, South Africa's export growth compares badly with developing countries generally. South Africa also has pitifully low inward investment - indeed virtually zero in several years (Figure 3).

The simple average tariff is 7.8% (6.4% trade-weighted) – at the lower end of the BRIICS scale. The average bound

rate in the WTO is 19.4%, with nearly all tariffs bound (Table 2). That said, South Africa still has a rather complicated tariff structure, with 38 MFN bands and 154 different tariff rates. Big pockets of manufacturing protection remain, notably in garments, automobiles and steel. South Africa is also the biggest developing-country user of anti-dumping measures after India.

South Africa is generally more open to FDI than China, India and Russia. Its highest levels of protection are in electricity and telecoms (Figure 1). State ownership and restricted competition prevail in transport, telecoms and energy.

South Africa scores considerably better than the other BRIICS in the World Bank's *Doing Business* Index (in 32nd place overall), though with a much worse score for "employing workers". But it scores very badly for trading across borders (in 147th place) – the worst among the BRIICS after Russia (Table 3).

South Africa was initially quite pragmatic and flexible in the Doha Round, but it became more defensive after the Cancun Ministerial Conference in 2003. It is especially defensive on industrial-goods liberalisation. It is the mainstay of the South African Customs Union (SACU), and is a member of the wider Southern African Development Community (SADC), which has (rather far-fetched) plans for a customs union by 2010. SADC's members are too disparate for it to be viable; and SACU is undermined by overlapping FTAs with third countries. For example, South Africa has a separate FTA with the EU; and other SACU members, but not South Africa, have signed an interim Economic Partnership Agreement (EPA) on goods trade with the EU. South Africa now prioritises "South-South" FTAs with other developing countries, notably India and Brazil.

South Africa is unusual among the BRIICS in that multilateral, not unilateral, liberalisation was the lever to open the economy in the mid 1990s: its Uruguay Round commitments – strong by developing-country standards – signalled its decisive opening of the economy. Subsequent opening came through unilateral liberalisation and the FTA with the EU. Other FTAs have hardly contributed. The door to FDI was also opened in the 1990s.

However, external liberalisation has stalled since the late 1990s. Liberalisation-scepticism has set in; and trade and related structural reforms have fallen way down the list of government priorities. Mercantilism prevails: unilateral liberalisation is off the agenda; and trade negotiations are driven more by geopolitical than commercial considerations. Defensiveness in the WTO and South-South FTAs with countries with which South Africa does relatively little trade are not congruent with South Africa's export interests. The latter are not only in agriculture, but also in intermediate manufactures and services, especially to other African countries. Meanwhile, government attention has shifted to sector-based industrial-policy intervention.[10]

These trends may become more pronounced under the new Zuma administration. President Zuma's cabinet line-up reflects a leftward shift in microeconomic and trade policies. There is more pressure from COSATU (the trades union umbrella organisation), the South African Communist Party and the left-wing of the African National Congress to step up industrial-policy intervention and even trade protection. So far the government has refrained from protectionist measures in response to the global economic crisis, despite a 31-per-cent contraction in exports in the second half of 2008. But the new trade-and-industry minister, Dr. Rob Davies, has signalled a possible (though perhaps modest) increase in tariffs, support for "priority sectors" and an acceleration of South-South FTA negotiations.[11]

South Africa's core economic problems are very high unemployment, anaemic employment growth, low productivity, low standards of education and skills, and lack of diversification, especially into employment-generating services sectors. Trade liberalisation is often – and mistakenly – blamed for exacerbating some of these problems. On the contrary, remaining protection keeps business costs high and firms uncompetitive, in addition to taxing – especially poor – consumers. But more damage is done by domestic (though still trade-related) regulatory barriers, for example in transport, telecoms, energy and customs procedures. Employment policies are the most damaging set of regulatory barriers; and these have become more restrictive. They act as a powerful deterrent to domestic as well as foreign investment. They are also intimately bound up with affirmative-action policies (termed BEE – Black Economic Empowerment) in the name of the black majority.

RUSSIA

Russia is exceptional among the BRIICS. Since 2003/4, previous market-opening reforms have not only stalled; they have been reversed and policy has gone in a strongly *deliberalising* direction. Politics has become increasingly authoritarian; and it has been used by the state to nationalise energy assets, promote monopolistic practices by favoured national champions, and generally apply laws and regulations in a highly selective, arbitrary manner. "State capitalism" is the order of the day. Its external manifestation is "hard mercantilism". Foreign policy is aggressive towards Russia's neighbours, its "near abroad". Arbitrary trade measures, such as cutting off gas supplies to other countries, and unlawful treatment of foreign investors have become more frequent. Trade mercantilism extends to playing off EU member-states against each other in order to entrench EU energy dependency on Russia.[12]

Russia's trade-to-GDP ratio is 52.3% (Table 1). It has been volatile since the 1990s, and has been declining in recent years. Trade increased rapidly until 2008, fuelled by soaring commodity prices (Figure 2). Russia's share of world trade is just under 2% – the second highest in the BRIICS but still far behind China. Inward FDI has increased significantly, reaching USD 52.5 billion in 2007, though it is highly concentrated in resource-based sectors (Figure 3). Outward FDI has also increased, reaching almost USD 50 billion in 2007. However, trade and FDI have declined sharply since 2008.

Energy and other commodities account for 85% of Russia's exports. Raw materials – mainly oil and natural gas – account for 60% of exports, and metals and chemicals for another 25%. Reliance on commodity exports has increased in the last few years. Massive distortions arising from the state's takeover of the energy sector have decreased the rate of investment and productivity. They have also cramped growth and innovation in non-energy sectors.

Russia's simple average tariff is 11% (11.8% when trade-weighted) (Table 2). This masks a complex tariff regime and indeed slightly higher protection in recent years. The most highly protected sectors are bunched in food and light industry. They include sugar, footwear, leather goods, automobiles and civil aircraft. In terms of overall FDI restrictiveness, Russia scores better than China and India but worse than Brazil and South Africa. In services, trade and FDI restrictiveness is especially high in banking, insurance, fixed telecommunications, electricity and air transport (Figure 1).

Russia scores badly for ease of doing business (in 120th place overall) – roughly in the same bracket as India, Brazil and Indonesia. It has the BRIICS's worst overall score for trading across borders (in 161st place) (Table 3).

Russia's WTO-accession negotiations, which started in 1993, have slipped down the priority list since 2004, corresponding with more statist policies at home. Prime Minister Putin dropped a bombshell in June 2009 when he announced that Russia would withdraw its solo application to join the WTO and negotiate entry as part of a customs union with Kazakhstan and Belarus. This option looks like a non-starter, not least because limited progress (beyond selective tariff liberalisation) has been made towards a customs union. In reality, it appeared Mr. Putin had given up on Russia joining the WTO in the next few years, rather preferring to conduct *dirigiste* economic policy free of multilateral constraints. But only a few weeks later, President Medvedev indicated that Russia's solo WTO application had not been withdrawn. Overall, such mercurial behaviour – extreme even by Russian standards – and the consternation it has caused outside Russia, are unlikely to bring Russia speedily into the WTO.

WTO membership, if ever achieved, would matter less for Russia than existing WTO membership matters for the other BRIICS. That is because the bulk of Russia's exports (in natural resources) do not suffer from protectionism abroad and are only weakly covered by WTO disciplines. The latter would impose little constraint on Russian government intervention in energy trade. That puts Russia in the same category as Nigeria and Saudi Arabia. All the other BRIICS have much wider swathes of economic activity covered by WTO disciplines. Also, Russia views WTO membership more in foreign-policy than in commercial or economic terms. It is about membership of an important international club in which Russia can exert its influence as a big power. It is much less about using the WTO as a strategic lever for market reforms at home and to integrate Russia into the global economy. Hence it would be naïve and dangerous to admit Russia into the WTO on lax terms. That would be an invitation for it to play foreign-policy games and undermine WTO rules

once it becomes a member. Seen in that light, Mr. Putin's bombshell is probably good news for the WTO.

Russia has hardly any cross-regional FTAs and is much less active compared with the other BRIICS on this front. That is largely because it is not yet a WTO member. WTO membership would probably trigger many new FTA negotiations, including an FTA with the EU. Within the ex-Soviet Union, however, Russia has negotiated over 20 000 preferential arrangements with newly-independent neighbours since the early 1990s. These are contradictory, not applied or weakly enforced.

Predictably, Russia is probably the worst offender among the BRIICS in terms of protectionist measures in the wake of the global economic crisis. Indeed, the latter has been used to strengthen state control of the "commanding heights" of the economy. Some import tariffs and export duties have been reduced. But there have been tariff hikes on a range of imports. The tariff on all imported cars has gone up from 5% to 30%. Similar tariff hikes apply to trucks and buses. Duties on steel, flat TV panels and agricultural imports have also been raised. Foreign-investment caps in 40 "strategic" sectors were imposed in 2008. The domestic car industry benefits from new discriminatory government procurement and state-guaranteed bank loans (Table 4 in Annex).

CONCLUSION

The conditions for further liberalisation and associated structural reforms are much more difficult today than they were in the heyday of the Washington Consensus. That was true even before the global economic crisis. Not least, "second-generation" trade-policy reforms have proved more difficult to achieve than "first-generation" reforms. The latter involve the reduction and removal of border barriers. This is relatively simple technically and can be done quickly – though politically these measures are rarely easy. The former are all about complex domestic (though trade-related) regulation, such as services regulation, regulation of food-safety and technical standards, intellectual-property protection, public procurement, customs administration and competition rules. These reforms are technically and administratively difficult, and take time to implement. They demand a minimum of capacity across government, especially for implementation and enforcement. Above all, they are politically very sensitive, as they affect entrenched interests that are extremely difficult to dislodge.

These trends have been reinforced by the global economic crisis, accompanied, inevitably, by an anti-market backlash. The immediate and paramount challenge is to contain new protectionist threats, especially complex regulatory barriers that issue from domestic "crisis interventions" and spill over the border. If not contained, these threaten to reverse the hard-won liberalisation gains of the 1980s and 90s. As was the case with the New Protectionism of the 1970s and early '80s, these barriers will deepen and prolong a global recession, and compromise prospects for a strong and sustainable recovery.

The source of the problem is government expansion in response to the crisis – at the expense of the private sector. The new conventional wisdom holds that the crisis must be met by shock-and-awe fiscal stimulus to boost aggregate demand – and prevent a slide into protectionism. It also espouses a renewed compact of "Keynes at home and Smith abroad". Greater government intervention is needed at home; and stronger international coordination (or "global governance") is needed to make this work in tandem with open markets abroad.

This new consensus is misguided and dangerous. In developed countries, the economics of Keynesianism on steroids is problematic enough. Not least, the consequences for borrowing, taxation, inflation and crowding out of private capital are extremely worrying, especially for countries such as the USA and UK with terrible public finances. Runaway deficit spending also casts a shadow over macroeconomic stability in those BRIICS with shaky public finances, notably Russia and India. China's problem is different: fiscal stimulus, supercharged by explosive state-directed bank lending, risks stoking inflation and asset-price bubbles, and could exacerbate global imbalances and trade tensions.

The politics of government expansion are as worrying. It is naïve beyond belief to expect bigger government expenditure to be temporary or well-targeted to boost aggregate demand, while avoiding longer-term entitlements and wasteful pork-barrel spending. The latter are inevitable. A new era of bigger, discretionary government

has long-term consequences for private property rights, saving, investment, entrepreneurship and innovation. And it is bound to spill over the border into protectionism.

Looking beyond the immediate crisis, there remains a strong case for *further* market-based reforms in general, and for external liberalisation in particular. Reduction of what are still high barriers to trade, foreign investment and the cross-border movement of people holds out the promise of higher growth, and significant poverty reduction and improvements in human welfare. Stalled reforms and reform reversal threaten to deprive hundreds of millions of people of the life-chances they deserve. These are the stakes – for the BRIICS, and for developing countries generally.

The BRIICS have already plugged themselves into globalisation. (Russia fits this pattern least well, given the predominance of energy and other resources in its external commerce, and greater state interference in these sectors in recent years.) Their task is to go further with dismantling border barriers to trade and opening the door to FDI. But their bigger challenge is to make much more progress on trade-related domestic reforms – the second-generation reforms where progress to date has been too slow. All the BRIICS do badly - some very badly - on business-climate indicators compiled by the World Bank and other organisations. That indicates how partial reforms have been to date. They have barely touched highly restrictive labour markets and the bloated, malfunctioning domain of the state. That affects external as well as internal trade, and foreign as well as domestic investment.

This diagnosis gives rise to the following priorities.

- In the short-term, the BRIICS should counter creeping, crisis-related protectionism by containing the expansion of government at home, *including* fiscal-stimulus packages with embedded protectionism.

- In the medium-term -- beyond the immediate crisis -- there needs to be a clearer link between trade policy, on the one hand, and *domestic* economic-policy and institutional reforms, on the other. Trade policy should be coupled strongly with competition-friendly measures to improve the domestic business climate. It should be better hitched to domestic reforms -- and seen less through the "global-governance" prism of trade negotiations, international organisations and (often unrelated) foreign-policy agendas. For example, there should be ways of linking trade and FDI liberalisation, and trade-related regulatory reform, to measures to shorten and simplify regulations that hinder business at home. Such red tape includes procedural hurdles to overcome before starting a business, dealing with various licensing procedures, registering property, getting access to credit, employing workers, paying taxes, protecting investors and bankruptcy procedures. Red tape directly affecting exports and imports include the documentation, time taken and costs of clearing goods through customs. These regulations are documented, classified and ranked in the World Bank's annual *Doing Business* Report.

- Second-generation reforms are bundled up with domestic politics and economics; initiating and implementing them is overwhelmingly a domestic affair; and the scope for productive international negotiations and solutions is restricted. It follows that there should be more reliance on *unilateral* reforms, and correspondingly less reliance on reciprocal liberalisation through the WTO and FTAs -- not to mention other global-governance paraphernalia such as the G20. The challenge for the BRIICS is to extend unilateral reforms beyond their very successful unilateral liberalisation of border barriers to trade and FDI in manufacturing.

- Unilateral reforms should be locked in through stronger WTO commitments. These should emerge from a post-Doha rule-improving agenda for the WTO. Of the BRIICS, China has by far the most important part to play in setting the WTO on its legs again. Then come India and Brazil. Together with the USA, EU and perhaps Japan, they must provide the collective leadership the WTO requires. Indonesia and South Africa, with a less defensive and more constructive

attitude, can play useful roles in "coalitions of the willing" on several issues. Russia is unlikely to be constructive towards the WTO in the foreseeable future. That is why it should not be allowed in prematurely.

- All BRIICS should exercise caution with bilateral and regional FTAs. These are trade-light: they are unlikely to deliver significant liberalisation; and they threaten "spaghetti-bowl" complications through discriminatory rules of origin and other provisions.

- All BRIICS need much more trade-policy *transparency*. Their trade-policy making is usually opaque. Too little is known and understood about the effects of this-or-that set of trade policies. Consequently, public discussion and elite deliberation of policy choices is often uninformed and misguided. This is a general weakness in trade policy in developing countries generally, and indeed in many developed countries. Think tanks and government bodies should do much more detailed research and analysis on the costs and benefits of trade policies in different sectors of the economy, and then disseminate findings. This would facilitate more informed, intelligent discussion and deliberation of policy choices. Such "transparency boards" could be set up at relatively low cost in the BRIICS, perhaps on the model of the Australian Productivity Commission (formerly the Tariff Board).[13]

FOOTNOTES

1. This paper draws heavily on Razeen Sally, "Globalisation and the political economy of trade liberalisation in the BRIICS", Chapter 4 in *Globalisation and Emerging Economies: Brazil, Russia, India, Indonesia, China and South Africa*, Paris, OECD, 2009.

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11. Razeen Sally, "South African trade policy at the crossroads", http://www.ecipe.org/blog/south-african-trade-policy-at-the-crossroads

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13. Bill Bowen, "Australia", in *The Political Economy of Trade Reform in Emerging Markets: Crisis or Opportunity?* op cit., pp. 33-53.

ANNEX

TABLE 4: TRADE AND TRADE-RELATED MEASURES (SEPTEMBER 2008 - JUNE 2009) (VERIFIED INFORMATION)

Country / economy	Measure	Date	Source
Brazil	Definitive anti-dumping duties on: phenol (EC, US); glassine papers (Finland, US); and ammonium nitrate (Russia, Ukraine).	Various dates	WTO Document G/ADP/N/180/BRA/Corr.1 of 17 March 2009.
Brazil	Decision to increase the number of exporting companies (allowing larger firms, with annual revenue up to R$600 million (US$235 million)) with access to the government's export financing programme (Proex). There was no increase in the programme's budget.	23 February 2009	Permanent Delegation of Brazil to the WTO.
Brazil	Initiation of anti-dumping investigation on synthetic fibre from China	4 May 2009	Permanent Delegation of Brazil to the WTO.
China	Export support measure: increase in VAT rebate rates on exports of a number of products such as: textiles and clothing; ceramic; plastic; furniture; pharmaceutical, household appliances; books; rubber; moulds, dies; glassware; suitcases; bags; footwear; watches; chemicals; machinery; and electrical products.	Various dates from 1 November 2008 to 1 February 2009	Permanent Delegation of China to the WTO.
China	Elimination of export duties on 102 products including certain steel plates. Reduction of export duties on 23 products, including for example yellow phosphorous.	1 December 2008	Permanent Delegation of China to the WTO.
China	Export duties on five products (including apatite and silicon) raised from 10% to 15%, or from 20% to 35%.	1 December 2008	Permanent Delegation of China to the WTO.
China	Import ban on Irish pork.	December 2008	Permanent Delegation of China to the WTO.
China	Elimination of lower Interim Import Tariffs Rates on soybean oil-cake, pork, and neem oil, and resumption of normal MFN rates.	1 January 2009	Permanent Delegation of China to the WTO.
China	Cancellation of export licensing administration on silk warm cocoon, and certain silk products.	1 January 2009	Permanent Delegation of China to the WTO.
China	Anti-dumping investigation on terephthalic acid from Thailand and Republic of Korea.	12 February 2009	Permanent Delegation of China to the WTO.
China	Restrictions on the export of certain highly energy consuming, highly-polluting, and exhaustible resource products.	24 February 2009	Permanent Delegation of China to the WTO.
China	Initiation of anti-dumping investigation on imports of nucleotide-type food additives from Indonesia and Thailand.	24 March 2009	Permanent Delegation of China to the WTO.
China	VAT rebate rates increased on exports of certain products including: iron and steel; non ferrous metals; petrochemicals; electronic and information technology products; and also some light industries such as textiles and clothing. None of these rebates exceed the current VAT rate of 17%.	1 April 2009	Permanent Delegation of China to the WTO.
China	Establishment of currency swaps (Y 650 billion) (US$95.2 billion), to facilitate trade with: Argentina, Belarus, Indonesia, Malaysia, Hong Kong China, and Korea.	2 April 2009	Permanent Delegation of China to the WTO.

China	New Guidelines on "The Opinion on Further Strengthening Administration of Government Procurement", restating the national treatment exemption provided for in the Law on Government Procurement.	10 April 2009	Permanent Delegation of China to the WTO.
China	Initiation of anti-dumping investigation on imports of polyamide-6 (PA6) from the EC, Chinese Taipei, Russia, and the United States.	29 April 2009	Permanent Delegation of China to the WTO.
China	Changes in tourism regulation allowing foreign invested travel and foreign tourist agencies (already established in China) to open local branches.	1 May 2009	Permanent Delegation of China to the WTO.
China	Resumption of imports of chicken from Brazil.	20 May 2009	Permanent Delegation of China to the WTO.
India	Increase in import duties on a range of iron and steel products from 0% to 5% (restoration of previous duty).	-	Permanent Delegation of India to the WTO.
India	Elimination of export duties on steel products (which were imposed in May 2008).	31 October 2008	Permanent Delegation of India to the WTO.
India	Introduction of licensing requirements for imports of certain steel products and auto parts. Some of these requirements were removed between December 2008 and January 2009.	21 November 2008	Permanent Delegation of India to the WTO.
India	Under fiscal stimulus measures taken by the Government: elimination of import duties for Naphtha for use in the power sector; elimination of export duties on iron ore fines; and reduction of export duties on lumps.	7 December 2008	Permanent Delegation of India to the WTO.
India	New mandatory product quality certification from the Bureau of Indian Standards (BIS) for 17 steel imported products. The Government deferred implementation of this regulation by one year on 10 February 2009.	14 January 2009	Permanent Delegation of India to the WTO.
India	Removal of export duty and reduction of minimum export price for premium Basmati rice.	20 January 2009	Permanent Delegation of India to the WTO.
India	Recommendation to apply provisional anti-dumping duties on Full Draw Yarn (FDY) imported from China, Thailand, and Vietnam.	23 January 2009	Permanent Delegation of India to the WTO.
India	Temporary ban on imports of toys from China (six months), to ensure health and safety of children. However, import of toys from China accompanied by the following certificates shall be permitted: (i) A certificate that the toys being imported conform to the standards prescribed in ASTM F963 or standards prescribed in ISO 8124 (Parts I-III) or IS 9873 [Parts IIII]; (ii) A Certificate of Conformance from the manufacturer indicating that representative sample of toys being imported have been tested by an independent laboratory which is ILAC accredited and found to meet the specifications indicated above. The certificate would also link the toys in the consignment to the period of manufacture indicated in the Certificate of Conformity.	23 January 2009; 2 March 2009	Notification No. 82/(RE-2008)/2004-2009 of 23 January 2009, amended by Notification No. 91/(RE-2008)/2004-2009 of 2 March 2009.

India	Preliminary safeguard findings on: Phthalic anhydride; Linear alkyl benzene; Aluminium flat rolled product and aluminium foil; Soda ash; and Dimethoate technical. Provisional safeguard measures imposed only on Phthalic anhydride.	29 January 2009	Permanent Delegation of India to the WTO.
India	Changes in FDI regulations to facilitate application of caps on foreign ownership in sensitive sectors, such as: defence production, telecommunications and aviation.	13 February 2009	Permanent Delegation of India to the WTO.
India	Increase in the Minimum Support Price for cotton paid to local farmers.	14 February 2009	Permanent Delegation of India to the WTO.
India	Imposition of 20% duty on imported soybean oils.	24 February 2009	Permanent Delegation of India to the WTO.
India	Export incentives for a variety of exporters, and specific export incentives for textile and leather products.	26 February 2009	Permanent Delegation of India to the WTO.
India	Trade facilitation measures such as: enlargement of the list of entities authorized to import directly precious metals; removal of import restrictions on worked corals; and simplification of export licensing requirements for blood samples.	26 February 2009	Permanent Delegation of India to the WTO.
India	Removal of duty (20%) on imported crude soybean oil (Customs Notification No. 27/2009).	24 March 2009	Permanent Delegation of India to the WTO.
India	Import duty exemption on pulses (Customs Notification No. 28/2009).	26 March 2009	Permanent Delegation of India to the WTO.
India	Initiation of safeguard investigation (China specific) on front axle, beam, steering knuckle and crankshaft.	2 April 2009	WTO Document G/SG/N/16/IND/6 of 11 May 2009.
India	Initiation of safeguard investigation on imports of acrylic fibre.	9 April 2009	WTO Document G/SG/N/6/IND/21 of 11 May 2009.
India	Initiation of safeguard investigation on imports of hot-rolled coils, sheet, strips.	9 April 2009	WTO Document G/SG/N/6/IND/22 of 11 May 2009.
India	Exemption of import tariffs on raw and refined, or white sugar, under specified conditions.	17 April 2009	Permanent Delegation of India to the WTO.
India	Initiation of safeguard investigation on imports of coated paper and paper board.	20 April 2009	WTO Document G/SG/N/6/IND/23 of 11 May 2009.
India	Initiation of safeguard investigation on imports of uncoated paper and copy paper.	20 April 2009	WTO Document G/SG/N/6/IND/24 of 26 May 2009.
India	Initiation of anti-dumping investigation on SDH transmission equipment from China and Israel.	21 April 2009	Permanent Delegation of India to the WTO.
India	Initiation of safeguard investigation on imports of plain particle board.	22 April 2009	WTO Document G/SG/N/6/IND/25 of 26 May 2009.
India	Initiation of safeguard investigation (China specific) on passenger car tyres.	18 May 2009	WTO Document G/SG/N/16/IND/7 of 4 June 2009.
Indonesia	Ministry of Health Decree No. 1010/08 regulating registration and imports of pharmaceutical products. The Decree establishes the separation between manufacturers and wholesalers to protect consumer health and the safety of pharmaceutical products. With regard to imports, initial registration must now be made through an Indonesian manufacturer. Once the registration process is complete the foreign company may directly sale to the wholesalers concerned.	3 November 2008	Permanent Delegation of Indonesia to the WTO.

Indonesia	Restrictions on film imports. The regulation stipulates that celluloid film may only be imported in the form of negative film master or negative film dupe (reproduction of the master negative film), but may include a copy of the finished product. The reported objective of the regulation is to deter film piracy and to increase efficiency of the enforcement of the Censorship Law.	25 November 2008	Permanent Delegation of Indonesia to the WTO, and WTO Document G/MA/235 of 17 March 2009.
Indonesia	New mining Law adopted in December 2008, promoting local processing of raw materials (mineral and coal). The regulation does not prohibit exports of these products. (implementing regulations to be adopted)	16 December 2008	Permanent Delegation of Indonesia to the WTO.
Indonesia	New licensing, reporting, and pre-shipment inspection requirements on over 500 goods (food and beverages, toys, electronics, footwear, and garments). Restriction on entry points for those products to six seaports and all international airports. The legislation is reportedly aimed at combating illegal trade and safeguarding health and safety through the development of an effective tracking system.	1 January 2009 and 1 February 2009	Permanent Delegation of Indonesia to the WTO.
Indonesia	Introduction of mandatory standards for steel products (hot-rolled steel sheets and coils and zinc-aluminium alloy coated steel sheets and coils), to protect consumer safety, increase product quality, and establish a fair trade competition.	6 January 2009	Permanent Delegation of Indonesia to the WTO, and WTO Document G/TBT/N/IDN/24/Rev.1, of 18 March 2009.
Indonesia	Increase of import tariffs on 17 tariff lines such as: petrochemical, steel, and electronic parts. Reduction of import tariffs on 18 tariff lines.	13 February 2009	Permanent Delegation of Indonesia to the WTO.
Indonesia	New regulation stipulating that exports of mining products, crude palm oil, coffee, rubber, and cocoa with an export value exceeding US$1 million must be supported by letters of credit issued by domestic banks.	5 March 2009	Permanent Delegation of Indonesia to the WTO.
Indonesia	Stricter enforcement of registration requirements on imported and domestic packaged food products.	1 March 2009	Permanent Delegation of Indonesia to the WTO.
Indonesia	Recent measures to facilitate trade on iron and steel products (reduction in the number of regulated tariffs, extension of the coverage of exemptions from registration, and verification requirements).	March 2009	Permanent Delegation of Indonesia to the WTO.
Russia	Reduction of meat tariff quotas and increase of non-quota rates for pork (from 60% to 75%) and poultry (from 60% to 95%), (measure announced in November 2007, but effective as from 1 January 2009).	1 November 2008	Permanent Delegation of the Russian Federation.
Russia	Temporary increase of import tariffs (for nine months) on a number of products such as: cars (by 5% up to 30%); trucks (by 10%-20% up to 25%); buses (by 5%-15% up to 25%); particular types of flat metals (by 10% up to 15%); particular types of ferrous metal pipes (up to 15%-20%); butter and certain types of dairy products (by €0.13 up to €0.35/kg (US$0.2- US$0.5)); milk and dairy cream (by 5% up to 20%); and rice and milling products (by €0.16 up to €0.23/kg (US$0.2-US$0.3)).	6 November 2008	Permanent Delegation of the Russian Federation.

Russia	Reduction of import tariffs on: civil aircraft; ferrous scrap; motors and major components of motor vehicles; cement and cement articles; and natural rubber.	6 November 2008	Permanent Delegation of the Russian Federation.
Russia	Export duties on certain wood products, which were scheduled to rise to 80%, to be maintained at the original level of 25% until the end of 2009. Elimination of export duties on nickel and copper. Reduction of export duties on oil.	24 December 2008	Permanent Delegation of the Russian Federation.
Russia	Import ban on pork on supplies from several US facilities which do not comply with technical requirements.	15 February 2009	Permanent Delegation of the Russian Federation.
Russia	Elimination of import tariffs on polyester thread.	10 March 2009	Permanent Delegation of the Russian Federation.
Russia	Increase of import tariffs on flat TV panels (from 10% to 15%), for nine months. Elimination of import tariffs on raw materials used in the production of rims for glasses.	31 March 2009	Permanent Delegation of the Russian Federation.
Russia	Increase of import tariffs on steel bars and rods (HS 7213). Elimination of import tariffs on copper waste and scrap (HS 7404), for nine months. Increase of import tariffs on corn starch and manioc starch (from €0.06/kg to €0.15/kg (US$0.1 to US$0.2/kg)), for eight months.	3 April 2009	Permanent Delegation of the Russian Federation.
Russia	Elimination of import tariffs on components of rims for glasses, for six months. Extension of duty-free access for: child safety seats; and certain types of digital ships, for nine months.	15 April 2009	Permanent Delegation of the Russian Federation.
Russia	Elimination of import tariffs on chicken and certain types of fertile eggs. Extension of import duty-free access for linear low density polyethylene, for nine months.	20 April 2009	Permanent Delegation of the Russian Federation.
Russia	Increase of import tariffs on radiofrequency cable (from 5% to 15%), for nine months.	22 April 2009	Permanent Delegation of the Russian Federation.
Russia	Increase of minimum range of import tariffs on cane raw sugar (from US$140 to US$165/tonne), for eight months. Maximum rate of import tariff on cane sugar remains unchanged.	1 May 2009	Permanent Delegation of the Russian Federation.
Russia	Elimination of a seasonal import tariff (€0.07/kg (US$0.1/kg)) on rice and milling products, which was implemented on 15 February 2009.	15 May 2009	Permanent Delegation of the Russian Federation.
Russia	Increase of import tariffs (from duty free to 10%) on certain types of tropical oils (palm oil), for nine months.	1 June 2009	Permanent Delegation of the Russian Federation.
South Africa	None		

Source: WTO (2009) Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-Related Developments, WTO Document Number JOB(09)/30 26, 26 March
WTO (2009) Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade-Related Developments, WTO Document Number JOB(09)/62, 1 July

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Phone +32 (0)2 289 1350 Fax +32 (0)2 289 1359 info@ecipe.org Rue Belliard 4-6, 1040 Brussels, Belgium