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Exports at Risk from Non-Tariff Measures: The Experience of Commonwealth Countries

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Abstract

Three years since the politics of many nations took a populist and nationalist turn, the ramifications for trade policy and the world trading system are being felt. For the 54 member countries of the Commonwealth, this is troubling, because national markets are often too small to sustain current living standards, let alone see them grow over time. Furthermore, countries and regions with better access to markets abroad are more attractive to domestic and foreign investors. Moreover, the contribution of non-discriminatory trade policies to societal development has been recognised in the Sustainable Development Goals (SDGs).

In recent years, increases in far-reaching tariffs have been widely publicised. Any notion that protectionism is largely confined to China–US bilateral trade should be set aside. Likewise any claims that protectionism is a temporary, passing phenomenon. The risks to Commonwealth exports have built up over the past 10 years, in much the same way as accumulating silt gums up river flow. The trade reforms witnessed over this time period implicate far fewer Commonwealth exports and do not compensate for the resort to protectionism, in particular to non-tariff measures.

This International Trade Working Paper breaks new ground by combining three substantial databases of commercial policy change over the past decade to compute the shares of Commonwealth exports at risk from adverse policy changes and reforms by trading partners. The calculations undertaken for this study use the finest-grain trade data available globally, and the conservative methods employed imply that the resulting estimates almost certainly understate the scale of the threat to living standards. The study demonstrates that larger shares of Commonwealth member countries' exports have been exposed to changes in other policies, undertaken by their trading partners, that have tilted the commercial playing field towards favoured, local firms.

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Keywords: tariffs, non-tariff measures, protectionism, Commonwealth exports, multilateral trading system

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Executive summary

In recent years, increases in far-reaching tariffs have been widely publicised. While these have been important, this study demonstrates that larger shares of Commonwealth member countries' exports have been exposed to changes in other policies, undertaken by their trading partners, that have tilted the commercial playing field towards favoured, local firms.

Any notion that protectionism is largely confined to China–US bilateral trade should be set aside. Likewise any claims that protectionism is a temporary, passing phenomenon. The risks to Commonwealth exports have built up over the past 10 years, in much the same way as accumulating silt gums up river flow. The trade reforms witnessed over this time period implicate far fewer Commonwealth exports and do not compensate for the resort to protectionism, in particular to non-tariff measures.

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The principal findings of this study concerning Commonwealth export dynamics and concerning tariff and non-tariff measures are as follows:

1. Overall Commonwealth export growth has been slower in the decade since the global financial crisis than in the years before. Although the slowdown has been less pronounced for Commonwealth exporters than for total world exports, this outcome is worrying, and it has likely diminished the contribution that integrating national markets has played in raising living standards.
2. At the start of this year, 91.4 per cent of the exports of developed country members of the Commonwealth faced tariffs and non-tariff measures in destination markets. For developing country members of the Commonwealth, the corresponding percentage was slightly lower, at 88.5 per cent.
3. At the start of this year, the export exposure of developed and developing country members of the Commonwealth to policies that limit trade was twice the size of their exposure to policies reforming trade. This discrepancy widens when attention is focused on non-tariff measures.
4. There is considerable variation across groups of Commonwealth members in their exporters' overall exposure to new technical and safety regulations imposed by trading partners. Seventy-eight per cent of developed country Commonwealth members' exports have been exposed to such regulations, whereas a third of least developed country Commonwealth members' exports have been so exposed.
5. Except for the Pacific group, for every group of Commonwealth members, over half of the exports now compete against those of foreign rivals that benefit from state-provided export incentives.
6. Given the composition of their exports, at the start of 2020 over half of exports from the Caribbean and American members of the Commonwealth faced import-competing rivals in foreign markets that have benefited from state aid. For the other groups of Commonwealth members, the comparable export exposure ranges from 14 to 31 per cent.
7. At present, Commonwealth exporters' exposure to tariff increases is much less than their exposure to non-tariff measures. This finding still holds when export exposure to new technical and health regulations is stripped out. Non-tariff policies are where the action is.
8. Although the focus in recent years has been on high-profile tariff increases, since the beginning of the most recent populist era (taken here to be 1 January 2017), Commonwealth export exposure to new tariff increases has been eclipsed by exposure to non-tariff threats. The notoriety of a trade policy instrument is not a reliable indication of the scale of the threat it poses

to Commonwealth exports. This finding holds for each group of Commonwealth members as well.

9. The build-up of trade distortions that threaten Commonwealth exports started well before the most recent populist era. Recent high-profile tariff increases have only made overt a decade-long covert trend away from the principles of a level commercial playing field.
10. The build-up of trade distortions threatening intra-Commonwealth exports has unfolded differently from those affecting extra-Commonwealth exports. For the former, export exposure to foreign rivals receiving state largesse for shipping abroad has exceeded exposure to potentially new

harmful regulations. For the latter, the opposite applies.

Various governments, including some Commonwealth members, have joined forces to develop proposals to revive the multilateral trading system. As a diverse group of independent nations, the Commonwealth could usefully contribute to this process by selecting a few non-tariff measures on which to develop proposals for reform. Such proposals should include new norms or rules for non-tariff measures that limit, as far as is possible, the cross-border harm created. But a critical prior step will be for officials to identify using evidenced alternatives to the most harmful forms of non-tariff measure.

1. Introduction and rationale for the study

Three years since the politics of many nations took a populist and nationalist turn, the ramifications for trade policy and the world trading system are being felt (Evenett and Fritz, 2019; Razzaque and Ehsan, 2019). For the 54 independent member countries of the Commonwealth, this is troubling, because national markets are often too small to sustain current living standards, let alone see them grow over time. Winning export orders secures jobs and supports the families of exporting firms' employees, who tend to be paid more than other workers, and their communities. Furthermore, countries and regions with better access to markets abroad are more attractive to domestic and foreign investors. Moreover, the contribution of non-discriminatory trade policies to societal development has been recognised in the Sustainable Development Goals (SDGs).¹

Remarkable as it may seem, even though we live in an increasingly digital age, with vast troves of information readily available on many topics, governments find it difficult and costly to prepare a comprehensive overview of the access of their commercial interests to foreign markets. The reality is that most information on trade policy is dispersed, unstructured or, in some cases, not collected at all by official bodies. A consequence is that certain noticeable trade policies – such as tariff hikes – garner the most attention of decision-makers, analysts and the media² – and this, it turns out, provides a distorted picture of the prospects for most nations' exporters.

At present, trade policy-making is like driving with a faulty and incomplete dashboard. Necessary investments in the global public good of trade policy transparency have simply not been made, to the detriment of the Commonwealth and other nations. Curiously, despite listed this as a 'systemic issue', SDG 17 calls for enhanced capacity-building in data collection, monitoring and transparency mechanisms for a government's own policies but not for those implemented by trading partners. This lacuna is hard to understand.

Drawing on the work of an independent initiative that has for more than 10 years compiled information bottom-up on national trade policies and organised it to allow for comparison, one goal of this paper is to provide

policy-makers with evidence on the exposure of Commonwealth exports to policy changes undertaken by trading partners. Those policy changes include non-tariff measures (such as Technical Barriers to Trade (TBTs), Sanitary and Phytosanitary Standards (SPS), export subsidies and incentives, local content regulations, government procurement measures and local content measures, among others) as well as taxes on imports. The paper also takes into account trade reforms.

Moreover, the evidence assembled for this study goes back 10 years, making it possible to analyse any build-up of protectionism facing Commonwealth exports as well as to produce a snapshot of export exposure to foreign trade policies at the beginning of 2020. Such export exposure statistics will allow policy-makers to gauge the scale of foreign trade impediments, perhaps influencing the trade policy priorities of individual Commonwealth members and any joint initiatives.³ Separate export exposure statistics are reported for different groups of Commonwealth member countries and for manufacturing and agricultural products trade. As such, the results presented in this study go far beyond those found in the official reports of development agencies and several international organisations, some of whose reporting on protectionism is hampered by pressure from certain governments.

While assembling comprehensive summary statistics of overall export exposure to policy interventions abroad is one contribution of this study, it is important to recognise that other analysts and organisations have reflected, in some cases for decades, on the causes and consequences of the trade policy interventions considered here. Robert Baldwin, in his pioneering study of non-tariff measures in 1970, argued that, as governments cut import tariffs, they might be tempted to raise non-tariff barriers (Baldwin, 1970). Bhagwati (1988) went further and posited a 'law of constant protectionism', arguing that, 'If you reduce one kind of protection, another variety simply pops up elsewhere' (p.53). In this view, governments substitute or displace one form of protectionism with another. As governments cut tariffs, analysts paid more attention to the alternative policies available to governments, and this spawned the

term ‘non-tariff measure’ and a literature on this (see Deardorff and Stern, 1997 and Ederington and Ruta, 2016 for surveys). An important finding in this literature is that only under a narrow range of circumstances are the effects of tariffs and non-tariff measures equivalent.

The development of the regulatory state in both industrialised and developing countries has led to the implementation of rules that affect both domestic and foreign suppliers. A fear has arisen that some regulations, apparently motivated by legitimate non-trade considerations, in fact *de facto* or *de jure* discriminate against foreign suppliers of goods or services. In 2019, World Trade Organization (WTO) members raised a total of 35 ‘specific trade concerns’ about the technical regulations imposed by other member governments.⁴ A further 17 specific trade concerns were raised in 2019 about new SPS regulations.⁵ Of course, when made, such claims are contested. Similar concerns arise with certain regulations affecting plants and food safety, with implications for cross-border agricultural trade.

The approach taken in this study is not to question government’s right to regulate. Nor are TBT or SPS measures referred to here as trade distortions. Rather, evidence is presented on export exposure of Commonwealth members to new TBT and SPS measures that have been notified to the WTO. It may be of interest whether export exposure to the trading partner’s regulatory changes exceeds exposure to the latter’s tariff changes, to the latter’s subsidy awards to local firms and to other non-tariff measures.

Given the trade tensions of recent years, developing a better understanding of the implications for national, regional and bloc commercial interests has been at a premium. The substantial literature on non-tariff measures notwithstanding, it is evident that some analysts and policy-makers view the policies of the Trump Administration as representing a break with the recent past (Krugman, 2018). In this

view, global trade rules did a good job restraining the resort to trade distortions during and after the global financial crisis but wilted in the face of America First trade policies. Others are more cautious, arguing that the build-up of thousands of low-profile trade distortions over the past decade pre-dated the Trump Administration taking office, and that a large share of world trade was implicated (Evenett, 2019a). This latter view notes, with concern, parallels with the slow breakdown of trade policy cooperation in the late 1920s (Boyce, 2009). The evidence presented in this study will help Commonwealth policy-makers put recent global trade policy developments and the scale of exports implicated in their proper, decade-long, perspective.

The remainder of this study is organised as follows. Section 2 provides a short account of the evolution this century of total exports by groups of Commonwealth countries and by the Commonwealth as a whole. We observe some pronounced differences across Commonwealth countries.

After describing the databases of information on trade-related policy changes employed in this paper, Section 3 presents a snapshot of the exposure of Commonwealth exporters to different types of trading partners’ policies in force at the start of 2020. With this evidence, Commonwealth policy-makers can assess the current state of play, including the degree to which current exports are at risk of discrimination abroad.

Section 4 reports on the build-up of Commonwealth exposure to trade partners’ protectionism and trade reforms since 2009. Policy-makers can then assess just how much of a break the recent populist era has been from earlier years. Particular attention is given in the previous section and this one to export exposure to classes of non-tariff measures. Section 5 draws the implications of these findings for policy dialogue and formation.

2. Evolution of the Commonwealth since 2000

So as to ground the subsequent discussion on crisis-era trade policy changes, the purpose of this section is to identify notable features of the

evolution of Commonwealth export growth since the turn of the century. This timeframe was chosen so as to include enough years of

data that any breaks in export performance at the onset of, or after, the global financial crisis of 2008/09 can be discerned.

The source of the international trade data used in this section is the UN Comtrade database of international trade flows. Specifically, data on the nominal US dollar value of total export flows was extracted.⁶ Sharp fluctuations in the value of the US dollar against other currencies may therefore affect the reported totals.⁷ This dataset covers only cross-border trade in goods. As yet, no dataset with the same level of granularity exists for cross-border trade in services or for cross-border foreign direct investment, despite their commercial significance. To date, 2018 is the last year for which a full set of international data is available in the UN Comtrade database.

Figure 1 confirms that the exports of developed countries of the Commonwealth grew more slowly than the developing country members before and after the global financial crisis. Of note is that, before and after the crisis, the growth in the total nominal value of exports by the developing members of the Commonwealth exceeded that of world trade.⁸ After the world trade collapse of 2009, the former not only recovered quickly but also had by 2011 notched

up more than a 40 per cent gain over the pre-crisis peak.

Measured in US dollar terms, both categories of Commonwealth member countries in Figure 1 have seen their exports rise since 2016, with more than a 35 per cent increase recorded for developing members against a 29 per cent increase for so-called developed members. In this regard, it is worth noting that the US dollar depreciated between 2016 and 2018.⁹ This evidence does not point to an immediate fall in the total value of Commonwealth trade following the election of populist government leaders in 2016 and 2017.

No sizeable differences in the growth rates of intra-Commonwealth exports and extra-Commonwealth trade exports can be discerned since 2000 (see Figure 2). The global financial crisis did not disrupt these similarities, it seems. However, intra-Commonwealth exports fell by less (23 per cent) than extra-Commonwealth exports between 2008 and 2009 and the former bounced back much more between 2009 and 2011. Neither intra-Commonwealth nor extra-Commonwealth exports were able to sustain steady rates of export growth after 2012 and 2013. A break in exporting behaviour thereafter is apparent.

Figure 1. Overall Commonwealth exports grew slower than world trade before the crisis but at similar rates afterwards

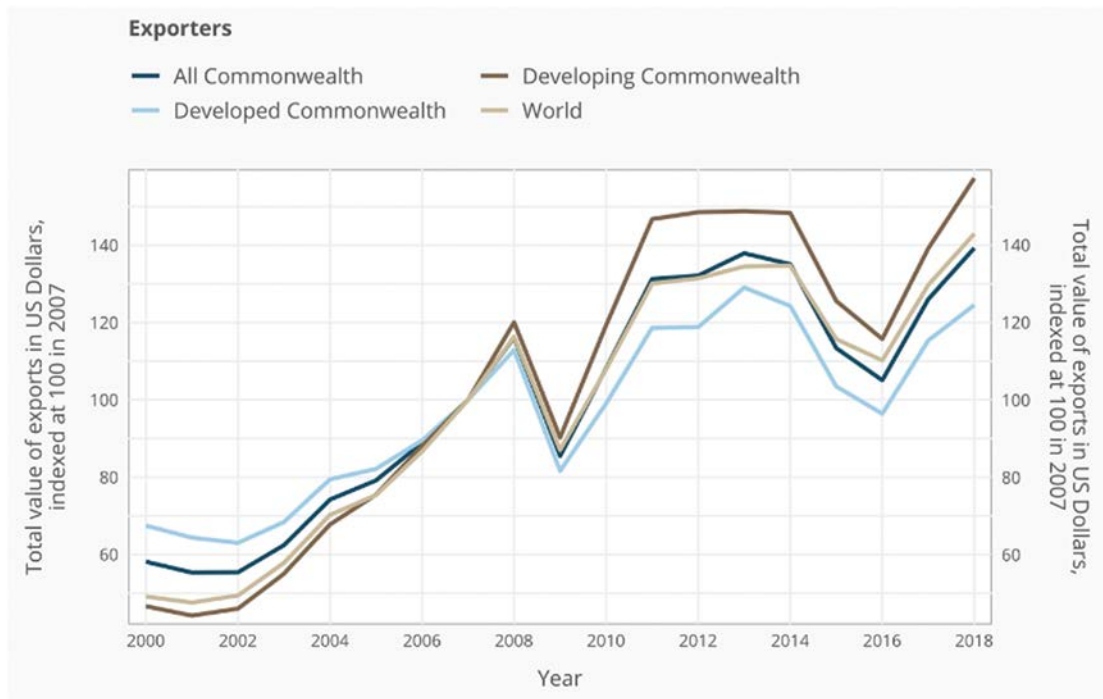
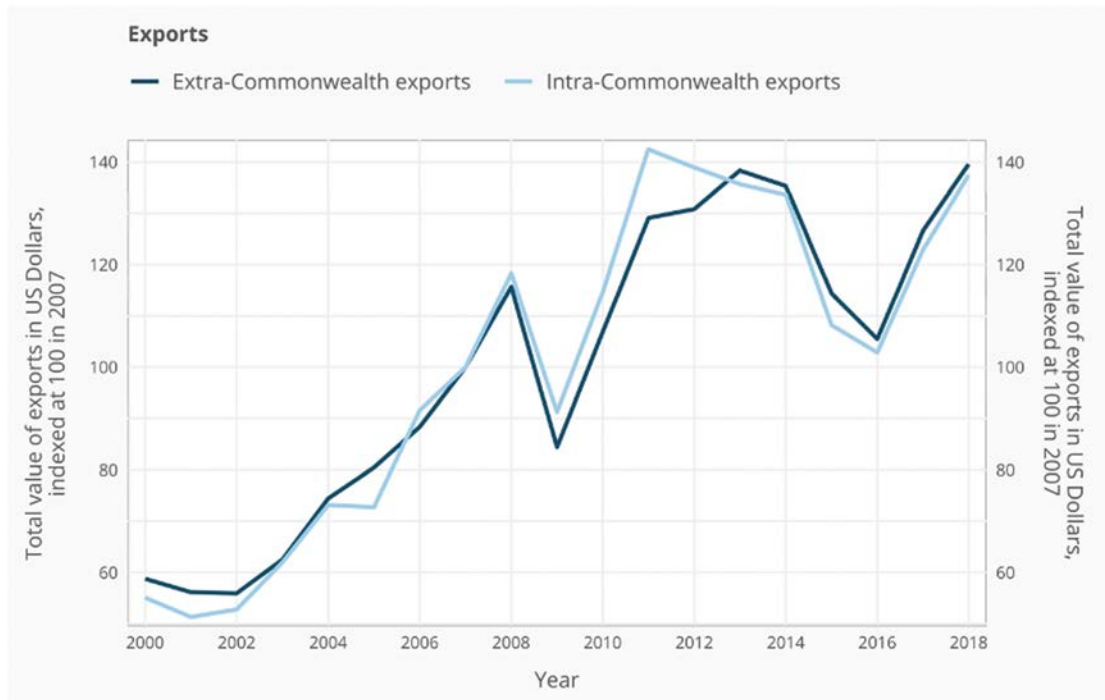


Figure 2. Intra- and extra-Commonwealth exports face similar trajectories – neither have enjoyed sustained export growth since the crisis



Compared with the pre-crisis era, there is considerable variation in the growth of total exports of the different developing country members of the Commonwealth (see Figures 3 and 4). One important source of variation

appears to be regional, with Commonwealth members in the Caribbean and the Americas witnessing falling total nominal values of exports since 2011 and Pacific members experiencing a surge in exports (see Figure 3). All regions

Figure 3. Since the onset of the global financial crisis the export fortunes of developing country members of the Commonwealth have diverged along regional lines

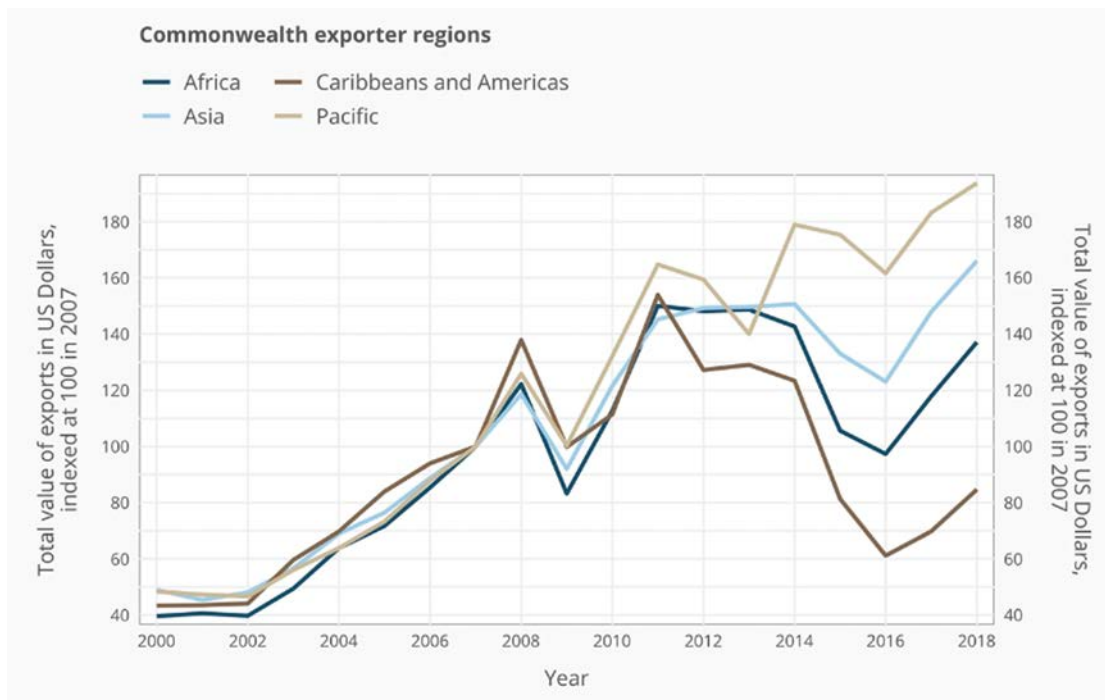
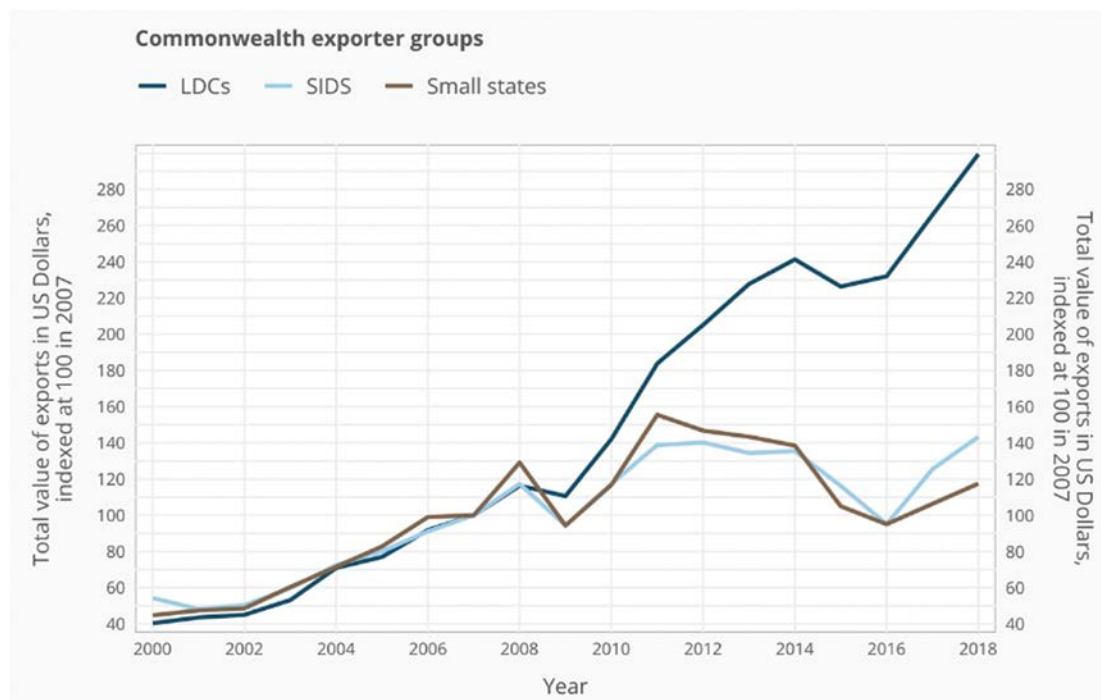


Figure 4. While Commonwealth LDC export performance has been impressive since 2000, the rate of growth during the past decade has been lower than before the crisis



of developing country Commonwealth members were affected by US dollar appreciation up to 2016, but to different degrees (suggesting other factors were at work). Moreover, the bounce back after 2016 varied in strength, with African and Asian members seeing the sharpest increases in the total nominal value of exports.

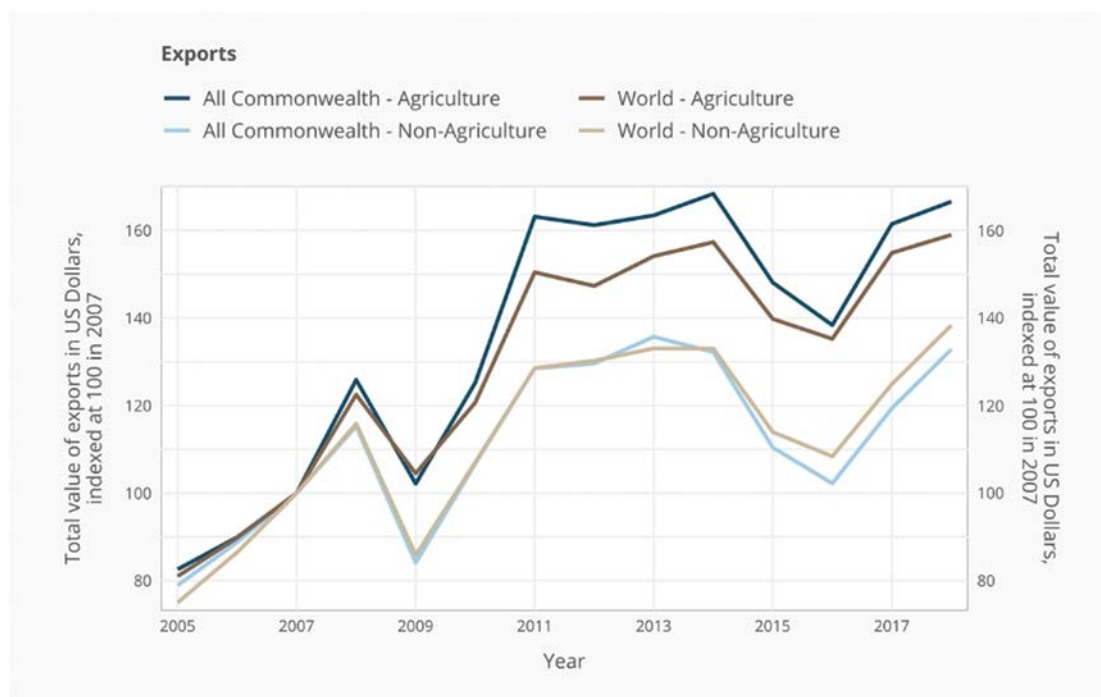
A striking feature of Commonwealth export performance since the turn of the century has been the impressive growth of shipments abroad from the least developed country (LDC) members (see Figure 4). This is all the more impressive when compared with the faltering performance of the Commonwealth small states and small island developing states (SIDS). LDC members of the Commonwealth saw the total nominal value of their exports grow on average 13.8 per cent per year between 2000 and 2007. After 2007, that average annual nominal growth rate fell to 8.6 per cent, which, while still remarkable, begs the question why export growth was slower after the crisis hit. For sure, global economic growth lost momentum after the crisis, but could foreign trade policies have played a role?

A noteworthy performance gap emerges after the onset of the global crisis with respect to agricultural goods exports. As Figure 5 shows,

the total value of agricultural exports from Commonwealth countries grew faster than the comparable global total from 2009. Since this total is a nominal amount, whether the growth was in volume or price terms cannot be inferred. Still, the overall total grew faster for agricultural exports. In contrast, a small export performance deficit (as compared with world totals) was found for the manufacturing goods exports of Commonwealth members from 2015 on.

The goal of this section has been to provide an overview of export growth performance by Commonwealth members since 2000. Like world trade in general, the annual average rates of exports fell from 8.0 per cent during the pre-crisis years of 2000 to 2007 to 3.0 per cent in the decade afterwards. Although the export growth slowdown of Commonwealth nations was less pronounced than for the world,¹⁰ given the contribution that international market integration and exports can make to national living standards, this slowdown should still be a concern. Without doubt, macroeconomic factors influence export performance, but the focus in the remainder of this study is on the changing exposure of Commonwealth exporters to trade reforms and trade impediments introduced since 2008 by foreign governments.

Figure 5. Commonwealth manufacturing exports largely track the world total but Commonwealth agricultural exports have the edge



3. Commonwealth exports at risk: the current state of play

The nationalist and populist turn in commercial policy-making has resulted in trade policy rising to the top of senior policy-makers' concerns. In part, trade policy's importance has been by design: certain government leaders have publicly sought to advance (what they perceive as) their nation's economic interests at the expense of trading partners. In this climate, the question arises: just how much of the Commonwealth's exports are at risk from policies implemented by trading partners, bearing in mind that high-profile tariffs are not the only means to discriminate in favour of local commercial interests? Drawing on three detailed datasets of government state intervention, each covering different policy instruments, the purpose of this section is to report on fine-grained calculations of Commonwealth goods¹¹ export exposure to potentially harmful foreign policy measures in force at the start of this year (1 January 2020). The goal, therefore, is to provide a snapshot of the 'state of play' facing goods exporters from the 54 Commonwealth nations.

3.1 Databases employed

Information on new technical regulations for manufactured goods and new health and safety regulations enacted for food and other agricultural products is extracted from the previously mentioned WTO notification databases for TBT and SPS. In addition, if any 'specific trade concerns' has been raised by a WTO member about another member's TBT or SPS regulations, information on the contested policy measure is included in the calculations and analysis that follows.

Information on other unilaterally imposed policies affecting cross-border goods trade is extracted from the independent Global Trade Alert (GTA) database. Since it began documenting unilateral policy changes, both harmful and beneficial, to all forms of foreign commercial interests, the GTA team has assembled a database with records of 26,000 policy interventions worldwide announced or implemented¹² since November 2008. The GTA database includes information on traditional import restrictions

(such as tariffs, trade defence measures and safeguard actions); on non-tariff limits to imports (such as import quotas, local content requirements and 'buy local' public procurement rules); on export restrictions and incentives (including trade finance, export subsidies and tax-based export incentives as well as export quotas, limits and licensing requirements); on subsidies to local firms facing import competition; on policies towards foreign direct investment (including expropriations, more standard market entry rules and post-establishment rules); on the treatment of foreign owners of intellectual property; and on the treatment of foreign workers (both those already in-country and those intending to migrate for economic reasons).

Over 95 per cent of the public policy interventions in the GTA database have been documented using state records or the legally mandated declarations by firms of receipt of subsidies. Each entry in the GTA database is reviewed twice before publication against a clearly defined set of quality standards. Incomplete or incorrect submissions are returned for revision or archived and not published.

In 2016, having reviewed the available public sector and independent data sources on commercial policy-making, the International Monetary Fund assessed that the GTA database had the broadest coverage of unilateral policy measures affecting international commerce. GTA maintains a website that can be easily accessed. Further particulars about the data collection procedures used can be found in Evenett (2019b). For the purposes of this study it is worth noting that the GTA database concerns 5,141 records of public policy interventions affecting agricultural goods trade and 15,528 records affecting manufacturing goods trade.

3.2 Using trade coverage to gauge the importance of policy interventions

Having assembled this library of information on policy interventions (specifically, the policy instrument involved; whether the instrument discriminates against foreign commercial interests or liberalises commerce; the date the instrument entered into force and, where relevant, lapsed; and the implementing jurisdiction and the affected trading partners), a question arises as to how to gauge their importance. As

is well known, there is no straightforward way to calculate the import tax equivalent of other commercial policy interventions affecting trade without making inevitably contested assumptions about firm costs, consumer preferences and how firms compete, if they compete. This is a minefield to avoid.

What is possible is to calculate the total amount of commerce covered by each implemented policy intervention affecting goods trade in the three databases. Then, if care is taken not to double-count trade flows affected by multiple policy interventions and attention is paid to the dates a policy change comes into force and lapses,¹³ it is possible to compare across policy instruments, exporters and time the shares of trade facing policy interventions that tilt the commercial playing field in one direction or the other. Such trade coverage calculations are well established and are less controversial than tariff equivalent studies. However, it must be recognised that such coverage statistics do not answer every question that analysts and decision-makers may have when assessing the impact of contemporary protectionism. The approach taken here amounts to not letting the perfect become the enemy of the good.

In all three of these datasets, efforts were taken to identify, for the public policy interventions affecting goods trade, the six-digit product categories that implementation of a measure implied. Then, taking account of the policy instrument in question, the direction of goods trade affected, the markets affected by the policy and the date of implementation, the UN Comtrade database was used to estimate the total value of trade affected by the implemented measure, correcting for duration. For example, if Switzerland were to raise the import tariff on butter on 1 July 2013, then UN Comtrade data would be used to identify the trading partners that exported butter to Switzerland in the years before 2013. Furthermore, the total value of butter imports affected would be calculated from annual data and, in this case, discounted by 50 per cent because the measure affected trade for only half of the year. If, for example, the import tariff was temporary and was revoked on 1 August 2013, then the one-month duration of this import tax would require the annual total observed trade to be discounted by 11/12ths.¹⁴

With estimates of the trade implicated (or covered) by each policy intervention in our

three datasets, then, depending on the question at hand, appropriate summary statistics can be generated. For example, it is possible to calculate on a certain date (say 1 January 2020) the percentage of all of the Commonwealth's exports that face an import tariff increase implemented since the recent populist era began and that was still in force on the date in question. Moreover, calculations across groups of Commonwealth members become possible, such as for the LDC members or the members from the Pacific region. This section and the next, and the Annex prepared for this study, present both aggregate and more granular summary statistics on goods export exposure.

The policy interventions recorded worldwide in the TBT, SPS and GTA databases provide the foundation for the statistics that follow. To the extent that governments fail to notify TBT and SPS measures to the WTO, to the extent that the GTA team fails to document a relevant commercial policy intervention and to the extent that there are any delays in notification or documentation, then these three databases will understate the true degree of trade-related policy intervention. The implication is that the total shares of trade implicated by liberalising or harmful policy interventions are lower bounds (or under-estimates) – a point worth bearing in mind when interpreting the findings of this study. Having explained the data and

methods employed in preparing this study, we can summarise the main findings concerning the overall export exposure of Commonwealth members to the commercial policy changes of trading partners at the start of this year.

3.3 Main findings

Although most of the results discussed here relate to aggregate export exposure for groups of Commonwealth members, it is worth bearing in mind that trading partners differ in their resort to import tariff increases and to non-tariff measures. Figures 6 and 7 bear out this point in two ways. When all potential risks to Commonwealth exports are taken into account, then, as Figure 6 shows, at the beginning of this year Commonwealth exports were at greatest risk in the largest trading nations and blocs of the world economy. Put differently, only in economies whose markets are small, or whose governments do not report trade data to the UN, or are not members of the WTO, is the computed scale of Commonwealth exports at risk small.

To some degree, this initial finding is driven by the large shares of world trade affected by state-provided export incentives and by the introduction of product and health and safety regulations. However, if those incentives and regulations are stripped out, as Figure 7 shows, the shares of exports at risk fall in Africa, parts

Figure 6. Overall export exposure is greater in G-20 members and the EU

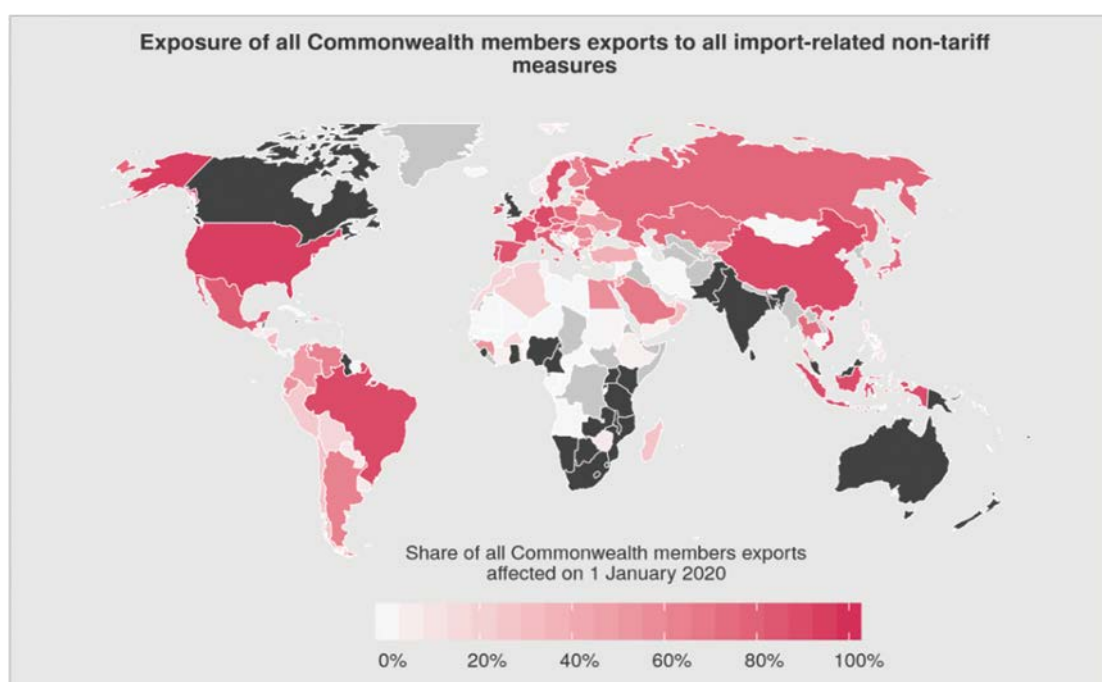
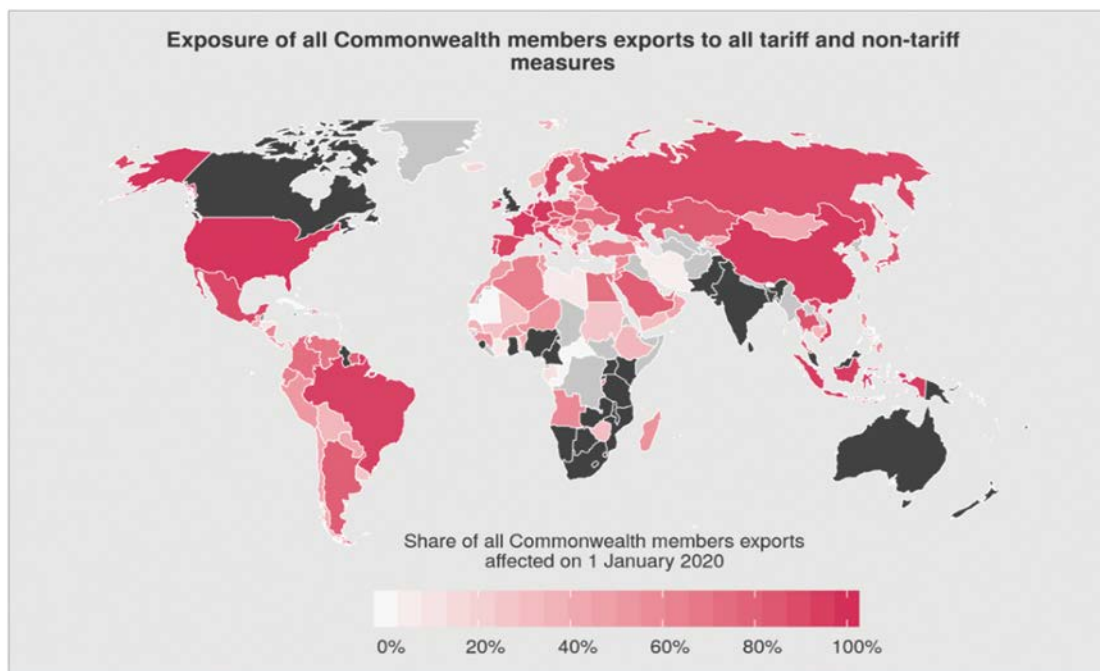


Figure 7. Overall exposure to traditional non-tariff barriers to imports is greatest in Brazil, China, Western Europe and the USA



of Eastern Europe, Latin America, Central Asia and Russia. However, very large shares of exports remain at risk in Brazil, China, Western Europe and the USA. Resort to non-tariff measures by trading partners of the Commonwealth is thus not confined to TBT, SPS and export incentives, underlining the need for a comprehensive approach to tracking and ultimately tackling non-tariff measures.

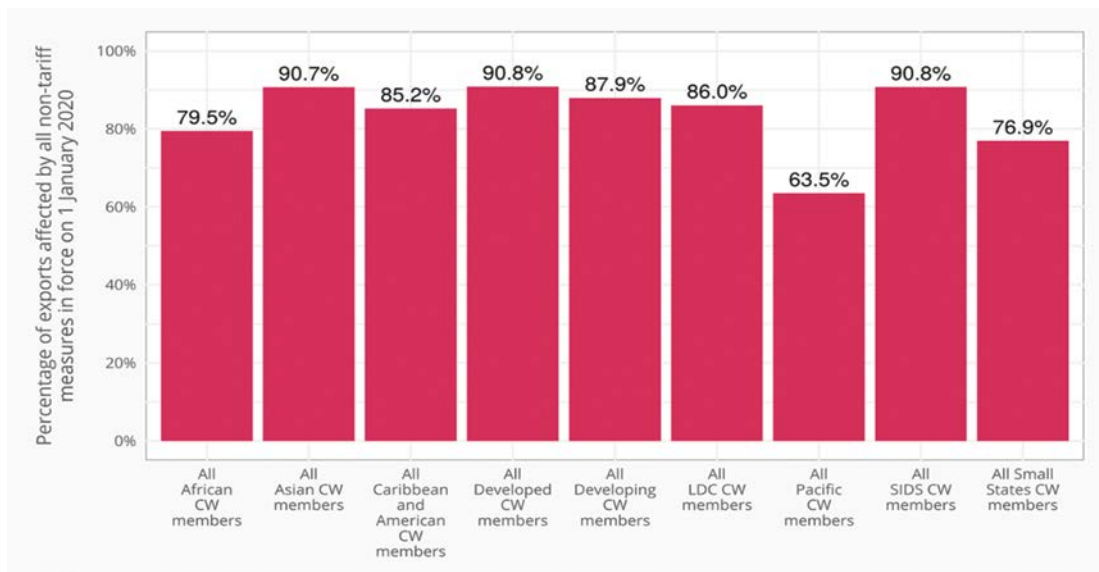
Comparisons of overall exports at risk across groups of Commonwealth members are possible. Figure 8 provides evidence on the percentage of exports at risk from all tariff increases and non-tariff measures (including TBT and SPS) in force at the beginning of this year. Figure 9 reveals the degree to which Commonwealth exports faced better treatment in trading partners on 1 January 2020 as a result of policy reforms there.

While some Commonwealth economies export the goods where trade reforms have occurred, in terms of export exposure much more exports are at risk. While two-thirds of Commonwealth LDC exports happen to be in goods that are sold in markets where trade reforms have occurred over the past decade, and where those reforms were still in force at the beginning of the year, the flip side is that nearly 90 per cent of such exports also faced worse or less certain trading conditions on account of import tariff increases or new

non-tariff measures in trading partners. In passing, it is worth noting that the percentages of exports at risk reported in Figure 8 are much larger than those reported by the public sector international organisations, and this is because of the limited range of trade policies tracked in the latter's monitoring initiatives.

Given the particular focus in this study on non-tariff measures, Figures 8 and 9 were recalculated, dropping the contributions of import tariff changes. Figures 10 and 11 report the estimates of the export exposure of groups of Commonwealth members that face TBT and SPS measures imposed over the past 10 years and other non-tariff measures imposed over the same timeframe and that were still in force at the beginning of this year. Figure 10 reports exposure to policy interventions that could pose a risk to Commonwealth exports and Figure 11 exposure to non-tariff reforms. Comparing Figures 8 and 10 reveals that dropping tariffs does little to lower overall exports at risk. This does not mean that import tariffs are unimportant – rather, that they were imposed mostly on the same products as non-tariff measures. Meanwhile, a comparison of Figures 9 and 11 reveals that dropping tariff cuts significantly reduces the percentages of exports benefiting from foreign trade reforms, in particular for almost every developing country Commonwealth member.

Figure 8. Apart from Pacific members, over 75% of exports of every Commonwealth grouping was exposed to tariffs and non-tariff measures on 1 January 2020



Figures 12 and 13 reveal the degree to which Commonwealth exports have been exposed to new TBT and SPS notifications over the past decade. For developed country members of the Commonwealth, 13 percentage points more of exports were exposed to TBT and SPS regulations over the past decade compared with developing country members (see Figure 11). Perhaps surprisingly, around 35 per cent of LDC and Pacific Commonwealth exports were exposed to new TBT and SPS regulations – much lower than for other groupings of the Commonwealth (see Figure 11). This does not

necessarily mean that foreign TBT and SPS rules are unimportant to these particular developing countries. It is possible that those rules deter exports in the first place.

To highlight the importance of other import-related non-tariff barriers, Figure 13 reproduces Figure 12 but strips out the contribution of TBT and SPS policy changes. That is, Figure 13 reports the exposure of groups of Commonwealth country exports to non-tariff barriers that curb imports, such as local content requirements, bailouts and other subsidies to import-competing firms, and ‘buy national’

Figure 9. Commonwealth exposure to trade reforms at the start of this year was much lower

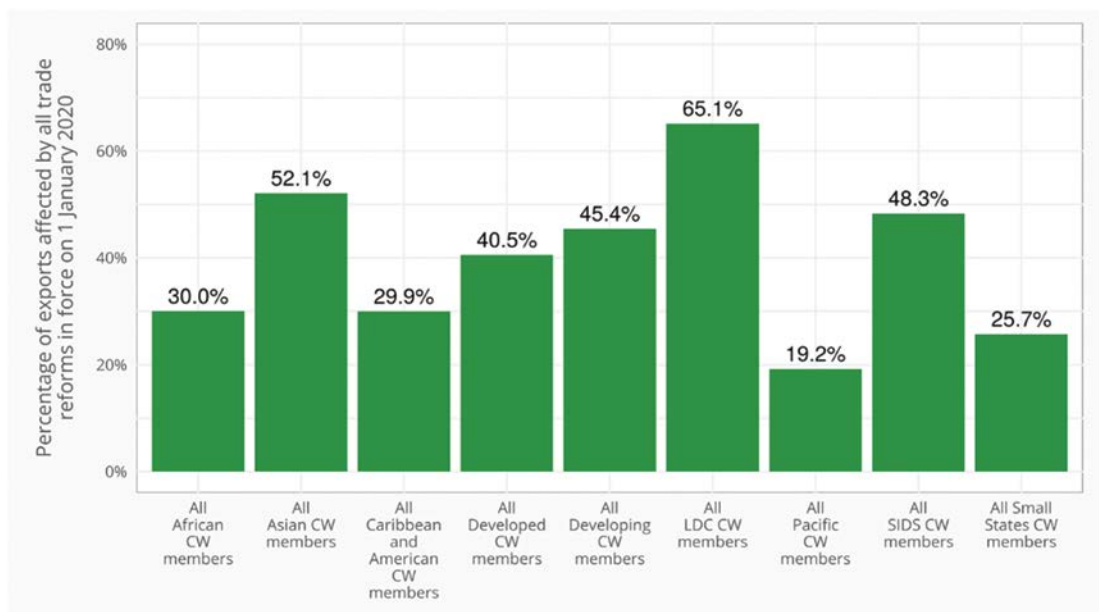
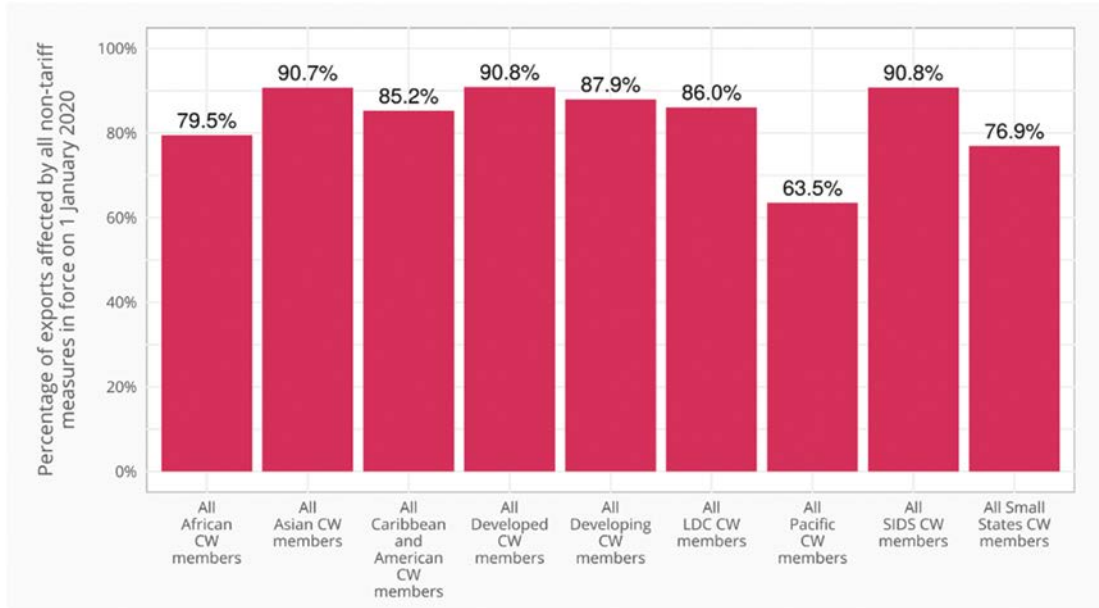


Figure 10. Over 90% of exports were exposed to non-tariff measures in force at the start of this year for three groups of Commonwealth members



public procurement measures. Most groups of Commonwealth members still have between 30 and 40 per cent of their exports exposed to these other non-tariff barriers (that again were implemented since November 2008 and were still in effect at the start of this year.) The Caribbean and American members of the Commonwealth stand out for their extraordinarily high exposure to such import-limiting non-tariff barriers. At the start of this year, 25 such measures

by trading partners affected 1 per cent or more of total exports from Caribbean and American members of the Commonwealth. Three of these non-tariff barriers are import quotas; the rest are different forms of state aid. Twenty of the 25 measures were imposed by state or federal agencies in the US.

Figures 14 and 15 reveals the export exposure of groups of Commonwealth members to different types of state subsidies. In particular,

Figure 11. Export exposure to non-tariff reforms at the start of this year implicated less than 35% of exports of each group of Commonwealth members

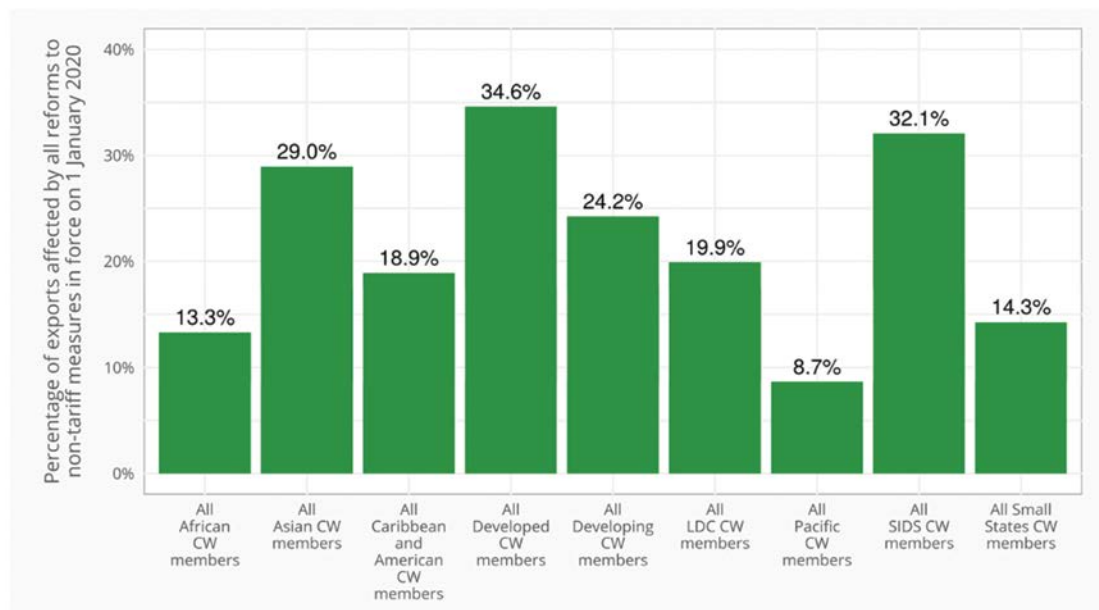


Figure 12. Developing members of the Commonwealth experience less export exposure to TBT and SPS measures than developed members

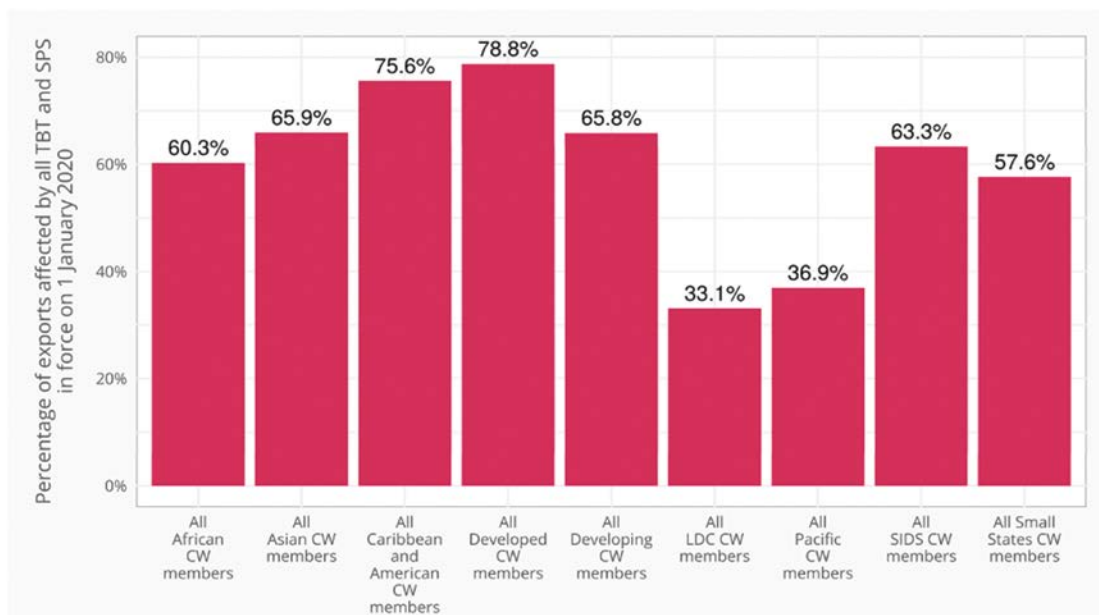


Figure 14 implies that, such has been the resort to state incentives to export in the world economy at the beginning of this year, that, apart from the Pacific countries, over half of every Commonwealth group’s exports competed against one or more subsidised foreign rival in a third market. This finding is in line for comparable exports-at-risk calculations for the G20 countries (see Evenett and Fritz, 2019). A significant, yet still unappreciated, feature of

unilateral commercial policy responses since the onset of the global financial crisis involves wide-ranging government steps to goose up exports. Mercantilism, or at least export promotion, is alive and kicking.

Figure 15 reveals the degree to which Commonwealth exporters compete in foreign markets against locally subsidised import-competing firms. Around a quarter of most exports from groups of Commonwealth

Figure 13. Once TBT and SPS are excluded, export exposure to remaining non-tariff barriers varies considerably across groups of Commonwealth members

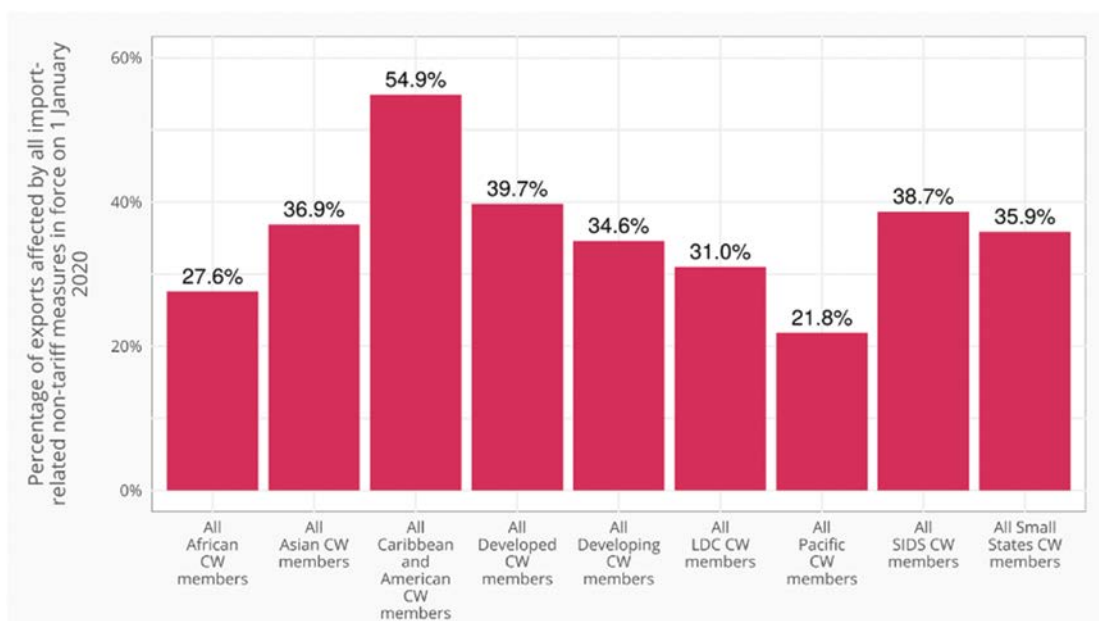
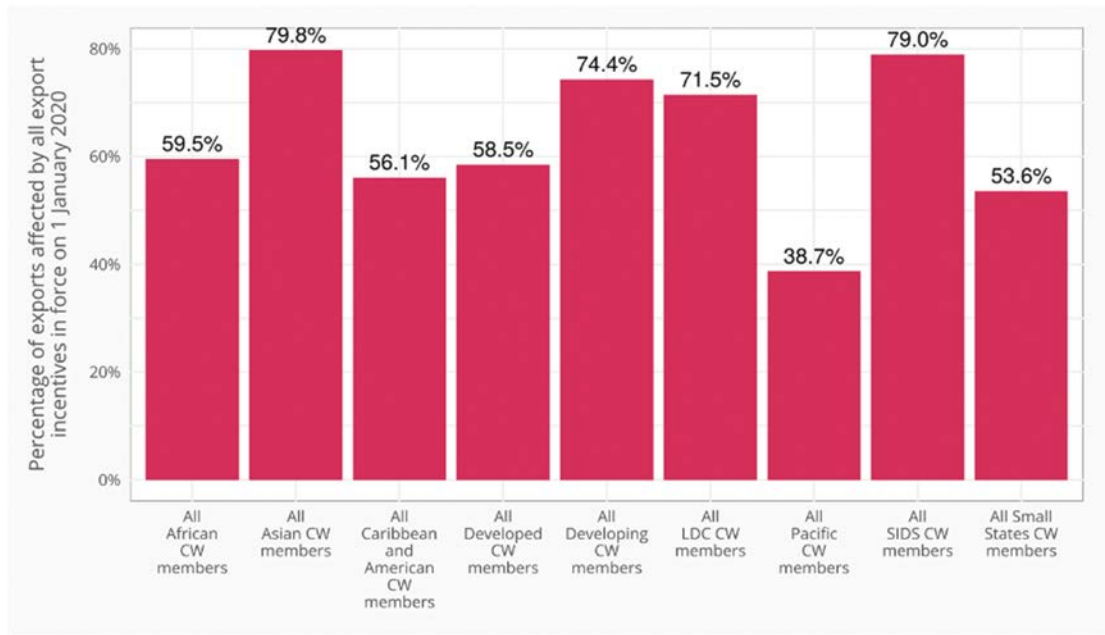


Figure 14. Apart from the Pacific Commonwealth members, over half of each group’s exports competed in third markets against foreign rivals that benefited from state-provided export incentives



members compete against subsidised local firms. Having written that, the Caribbean and American Commonwealth nations have double that share of exports at risk, whereas the Pacific Commonwealth members’ exports are less at risk. Much here depends on the product composition of national exports and the export destination being targeted by the incentives. Still, the evidence presented in Figures 14 and 15 implies that Commonwealth members largely

share a common interest in reigning in subsidies that distort international trade.

There is marked variation across groups of Commonwealth members in their export exposure to import tariff increases, at least as revealed in Figure 16. Less than 10 per cent of exports from developed country members faced a tariff increase imposed after November 2008 that was still in effect on 1 January 2020. In contrast, 20 per cent of exports from developing country

Figure 15. Caribbean and American members of the Commonwealth stand out in their export exposure to locally subsidised foreign rivals

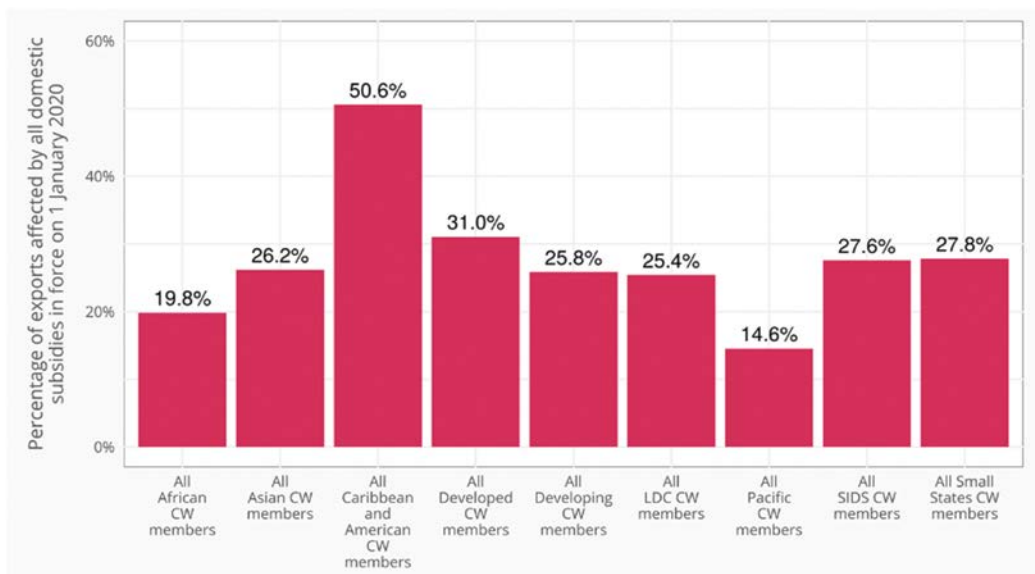
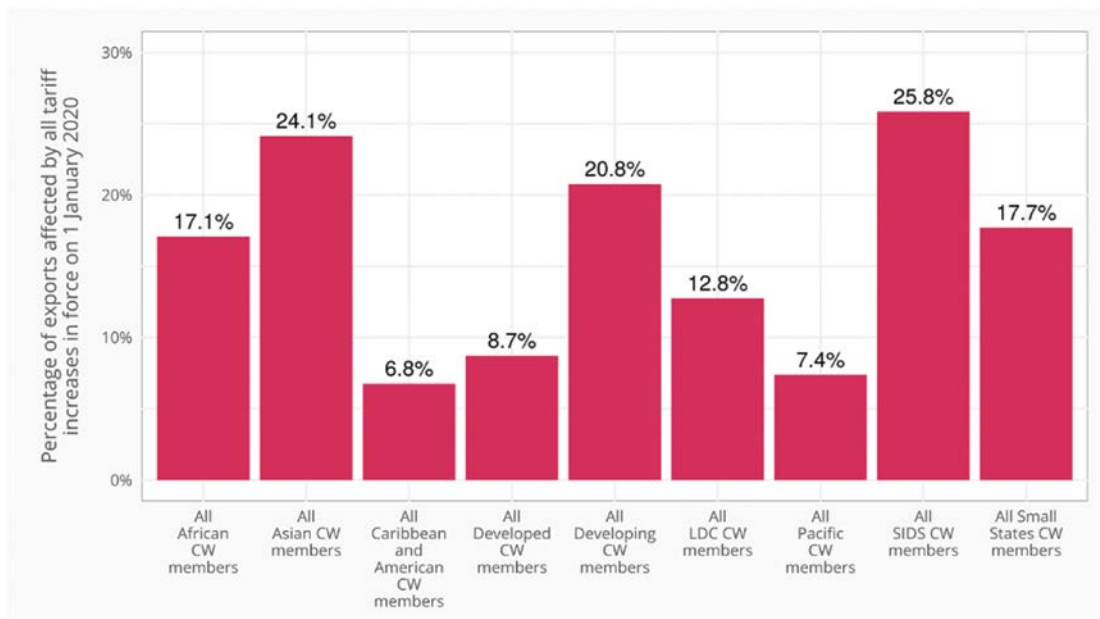


Figure 16. Caribbean, and American, developed country, and Pacific members of the Commonwealth had little export exposure to tariff increases; not so for other groups



members of the Commonwealth were at risk. Having written this, it is evident from this figure that there is considerable variation across groups of developing country Commonwealth members to higher tariffs on their exports.

Figures 17–19 report the degree of Commonwealth export exposure to commercial policy changes imposed after 1 January 2017 that were still in force at the start of this year. Bearing in mind that President Trump took office in January 2017 and announced

his intention to implement his America First trade policy, and given the trade tensions that have subsequently arisen, for the purposes of this study the three-year period 2017–2019 is referred to as ‘the populist era.’ The question addressed now is: Just how much have Commonwealth exports been at risk from policy changes during the populist era that harm foreign commercial interests?

Figure 17 reveals that, other than for the Pacific members of the Commonwealth, such is

Figure 17. Other than the Pacific members, over half of Commonwealth exports have been exposed to new potentially harmful interventions during the populist era

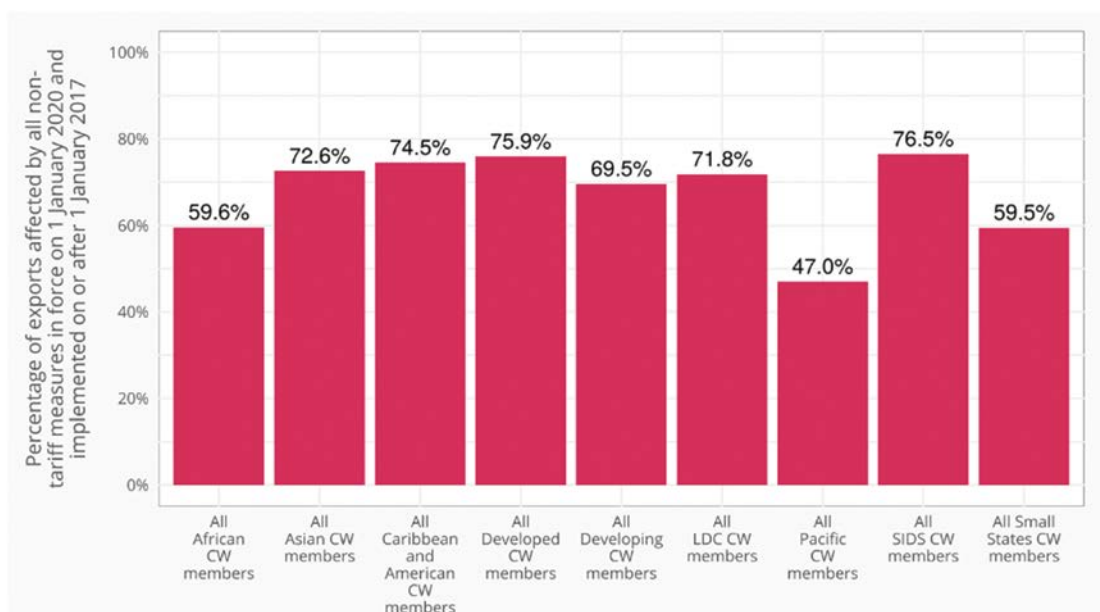
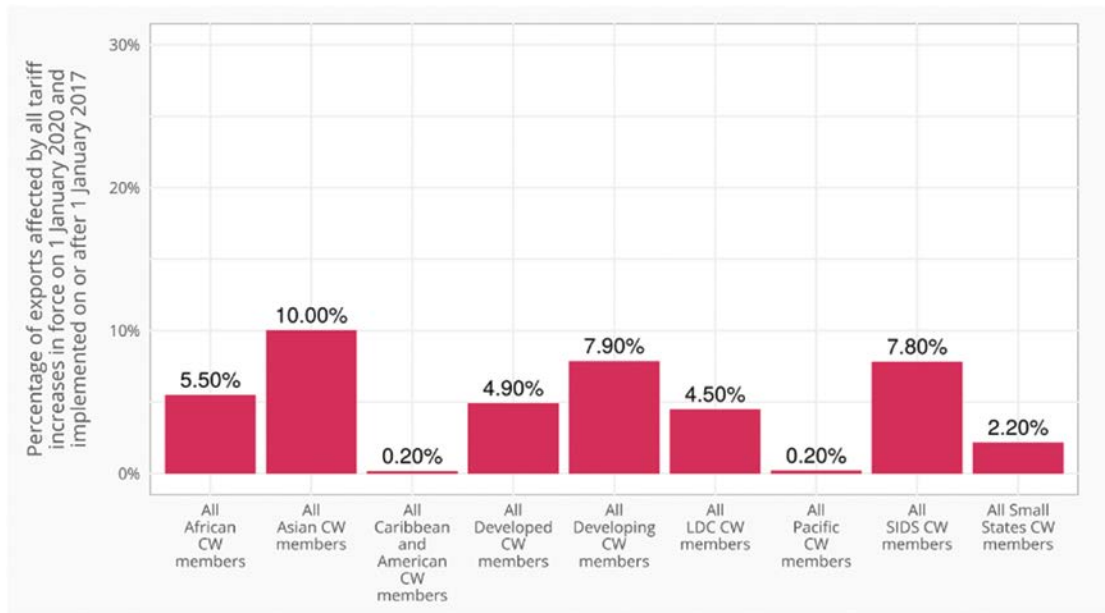


Figure 18. More exports of developing Commonwealth members have been exposed to tariff increases during the populist era than developed members

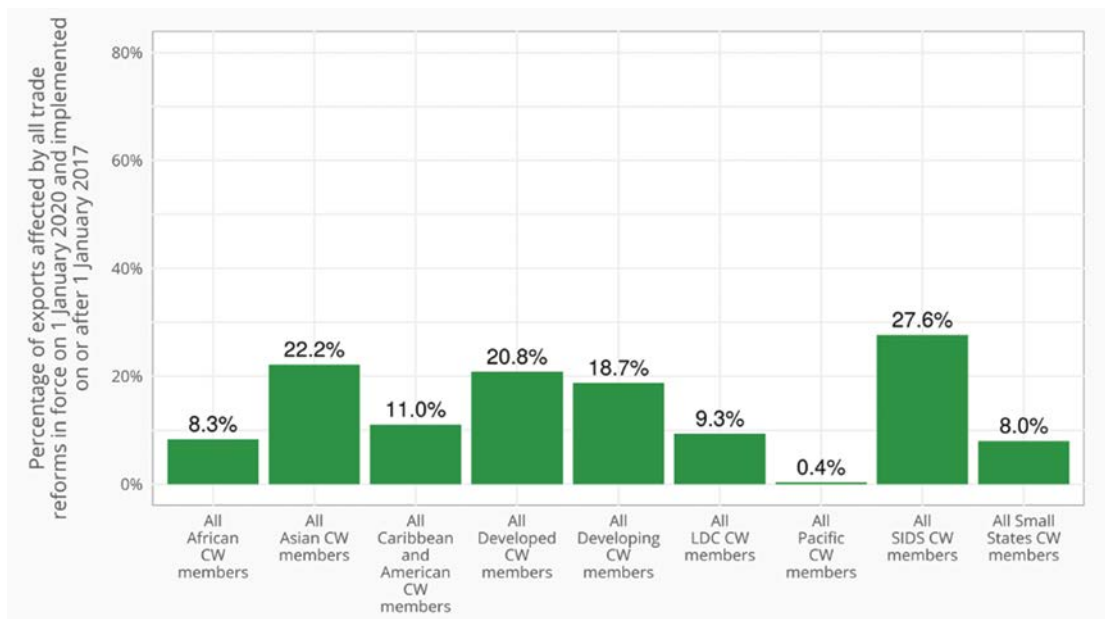


the build-up of discrimination against foreign suppliers during the populist era that around 70 per cent of Commonwealth exports have been caught up in protectionism that was still in effect at the start of this year.

Tariff increases have been a particularly salient feature of trade tensions during the populist era. Figure 18 confirms that exposure to higher import taxes is higher for developing country members of the Commonwealth

than for developed country members. In terms of trade coverage, Asian members of the Commonwealth the greatest risk (with 10 per cent of exports at risk). Yet, comparing the statistics in Figures 17 and 18 also reveals that tariff increases alone do not account for the half of exports at risk during the populist era for any group of Commonwealth members. High-profile tariff increases are only part of the trade policy record during the populist era, a finding

Figure 19. Compared to Figure 17 above, populist era trade reforms implicate much less Commonwealth exports



in line with that of a recent global analysis of commercial policy developments (Evenett and Fritz, 2019).

In the interests of balance, Figure 19 presents evidence on the exposure of different groups of Commonwealth members to trade reforms during the populist era. Here, the SIDS members of the Commonwealth stand out as just under 30 per cent of their exports benefited from trade reforms implemented after 1 January 2017 that had not lapsed by 1 January 2020. However, it must be noted that, when the results in Figures 17 and 19 are compared, the weight of Commonwealth export exposure is towards adverse policy changes by trading partners during the populist era.

For each group of Commonwealth nations, Tables 1 and 2 present further information on the

non-tariff measures and import tariff increases that affect the most exports. Specifically, for each group, the five non-tariff measures and the five import tariff increases in force at the beginning of this year that affect the most exports of a particular group of Commonwealth members are reported.

In Table 1, it is striking that almost every entry in the top five non-tariff measures are TBT or SPS measures. In fact, only one top-five non-tariff measure is not (a Chinese subsidy scheme that happens to be in products exported a lot by Pacific members of the Commonwealth).

As far as trading partner's import tariff increases are concerned, Table 2 reveals that all but one top-five tariff increase were implemented by a G20 member. Some of those G20 members are also Commonwealth countries.

Table 1. Top five non-tariff measures affecting the exports of each Commonwealth country group

Export share affected	Commonwealth country group	Measure title
21.32%	Africa	USA: Regulation of Fuels and Fuel Additives: Modifications to Renewable Fuel Standard and Diesel Sulfur Programs
21.23%	Africa	USA: Air Plan Approval; ME; Control of Volatile Organic Compound Emissions from Fiberglass Boat Manufacturing and Surface Coating Facilities
21.22%	Africa	USA: Review of the Dust-Lead Hazard Standards and the Definition of Lead-Based Paint
21.17%	Africa	USA: Modifications to Fuel Regulations to Provide Flexibility for E15; Modifications to RFS RIN Market Regulations
21.15%	Africa	USA: Regulation of Fuels and Fuel Additives: 2013 Biomass-Based Diesel Renewable Fuel Volume
14.69%	Asia	USA: Residues of Didecyl Dimethyl Ammonium Chloride; Exemption From the Requirement of a Tolerance
14.41%	Asia	USA: Standards of Performance for Stationary Spark Ignition Internal Combustion Engines and National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines
14.27%	Asia	USA: Rule Concerning Disclosures Regarding Energy Consumption and Water Use of Certain Home Appliances and Other Products Required under the energy Policy and Conservation Act ('Appliance Labeling Rule') Advanced Notice Of Proposed Rulemaking (ANPR)
14.24%	Asia	USA: Sunscreen Drug Products for Over-the-Counter Human Use; Proposed Amendment of Final Monograph; Proposed Rule
14.18%	Asia	USA: Benzidine-Based Chemical Substances; Di-n-pentyl phthalate (DnPP); and Alkanes, C ₁₁ -C ₁₃ , Chloro; Proposed Significant New Use Rules
40.64%	Caribbean and Americas	USA: Additions to List of Section 241.4 Categorical Non-Waste Fuels: Other Treated Railroad Ties

(Continued)

Table 1. Top five non-tariff measures affecting the exports of each Commonwealth country group (Continued)

Export share affected	Commonwealth country group	Measure title
35.10%	Caribbean and Americas	USA: Review of the Dust-Lead Hazard Standards and the Definition of Lead-Based Paint
35.08%	Caribbean and Americas	USA: Regulation of Fuels and Fuel Additives: Changes to Renewable Fuel Standard Program; Proposed Rule
34.90%	Caribbean and Americas	USA: 2014 Standards for the Renewable Fuel Standard Program
34.90%	Caribbean and Americas	USA: Control of Air Pollution From Motor Vehicles: Tier 3 Motor Vehicle Emission and Fuel Standards
21.18%	Developed	USA: Residues of Didecyl Dimethyl Ammonium Chloride; Exemption From the Requirement of a Tolerance
20.02%	Developed	USA: Air Plan Approval; ME; Control of Volatile Organic Compound Emissions from Fiberglass Boat Manufacturing and Surface Coating Facilities
19.98%	Developed	USA: Control of Air Pollution From Motor Vehicles: Tier 3 Motor Vehicle Emission and Fuel Standards
19.89%	Developed	USA: Modifications to Fuel Regulations To Provide Flexibility for E15; Modifications to RFS RIN Market Regulations
19.67%	Developed	USA: Regulation of Fuels and Fuel Additives: Modifications to Renewable Fuel Standard and Diesel Sulfur Programs
9.93%	Pacific	EU: European Communities Novel foods (ID 205)
9.49%	Pacific	EU: Proposal for a Regulation of the European Parliament and of the Council on the provision of food information to consumers (COM(2008) 40 final)
9.44%	Pacific	EU: Draft Commission Directive amending Council Directive 2001/112/EC relating to fruit juices and certain similar products intended for human consumption
9.38%	Pacific	EU: Proposal for a Directive of the European Parliament and of the Council amending Council Directive 2001/112/EC relating to fruit juices and certain similar products intended for human consumption (COM(2010) 490)
9.19%	Pacific	China: New government fund to promote oil-bearing trees and forestry

Table 2. Top five import tariff increases affecting the exports of each Commonwealth country group

Export share affected	Commonwealth country group	Measure title
6.16%	Africa	EC: Updated List of Countries Eligible for GSP
3.74%	Africa	India: Trade Implications of the 2019-20 Budget
1.52%	Africa	European Union: Import Tariff Changes in 2012
1.51%	Africa	India: Tariff Changes for Imports by India in the Union Budget 2012
1.23%	Africa	India: Tariff Value of Gold, Silver reduced and that of Brass Scrap (All Grades) and Poppy Seeds Has Increased
3.78%	Asia	China: Import Tariff Changes in 2017
2.99%	Asia	Indonesia: Import Tariff Changes in 2015
2.18%	Asia	EC: List of Suspended Autonomous Common Customs Tariff Duties Changed

(Continued)

Table 2. Top five import tariff increases affecting the exports of each Commonwealth country group (Continued)

Export share affected	Commonwealth country group	Measure title
1.83%	Asia	USA: Termination of Trade Preferences for India and Turkey
1.67%	Asia	China: Import Tariff Changes in 2012
2.21%	Caribbean and Americas	EC: List of Suspended Autonomous Common Customs Tariff Duties Changed
1.69%	Caribbean and Americas	EU: Import Tariff Changes in 2012
1.40%	Caribbean and Americas	EU: Import Restriction Changes in May 2012
0.95%	Caribbean and Americas	USA: Renewal of Tariffs and Subsidies on Ethanol
0.81%	Caribbean and Americas	Suriname: Import Tariff Changes in 2012
1.03%	Developed	China: Import Tariff Changes in 2012
0.95%	Developed	USA: Imposition of Section 232 Import Tariffs on Certain Aluminium Goods from Brazil, Canada, the European Union, Mexico and the Republic of Korea and Quotas on Imports from Argentina
0.77%	Developed	India: Import Tariff Changes in 2009
0.70%	Developed	USA: Imposition of Section 232 Import Tariffs on Certain Steel Goods from Canada, the European Union and Mexico and Quotas on Imports from Argentina and Brazil
0.52%	Developed	USA: Import Tariff Changes in 2017
2.69%	Pacific	India: Import Tariff Changes in 2009
2.66%	Pacific	India: Trade Implications of 2011-2012 Budget
2.66%	Pacific	India: Import Tariff Changes in 2011
2.34%	Pacific	EU: Import Tariff Changes in 2012
2.34%	Pacific	EU: Import Restriction Changes in May 2012

Comparing the shares of exports exposed to these non-tariff measures in Tables 1 and 2, it is evident that the most far-reaching TBT and SPS interventions implicate much more Commonwealth trade than the ‘biggest’ import tariff increases. Since the former are far less noteworthy than the latter, this highlights the risks of relying on media reports to identify potential threats to national commercial interests.

In this section, detailed information on tens of thousands of policy changes implemented since November 2008 has been used to provide the

most comprehensive and up-to-date estimates of the export exposure of the Commonwealth countries to commercial policy change. The results do not make for comfortable reading. While tariff increases often garner media headlines, the trade policy action is really with non-tariff measures in various guises (TBT, SPS, export incentives and subsidies to import-competing firms). Were the world’s policy-makers minded to do so, there are plenty of trade distortions to unwind. Such an outcome would generate commercial opportunities for a vast proportion of the Commonwealth’s exporters.

4. The build-up of Commonwealth exports at risk from non-tariff measures since 2009

The newsworthiness of the tariff increases of recent years may give rise to the impression that threats to the Commonwealth’s

exports, like those to world trade in general, are new. Statistics such as those presented in the last three figures of the previous section

(Figures 17–19) may have inadvertently reinforced this impression. One goal of this section is to offer a corrective, examining the extent to which Commonwealth exports facing trade reforms and policy-induced threats and uncertainty have changed since November 2008. More important, though, in light of this study's focus on non-tariff measures, is to examine the relative importance of different types of policy reform over the past 10 years. If non-tariff measures have mattered, have some mattered more than others?

Unlike the last section, which reported estimates of export exposure on 1 January 2020, this section presents estimates of the average annual export exposure from 2009 and 2019 under a range of different circumstances. While the discussion begins by presenting overall statistics for the entire Commonwealth, attention quickly turns to differences between agricultural and non-agricultural goods¹⁵ and between developing and developed country members of the Commonwealth.

Figure 20 reports the annual percentages of Commonwealth exports that are in products where trading partners are reforming their commercial policies and where they are introducing trade distortions or uncertainty and costs through new regulations. The share of Commonwealth exports that could benefit from foreign reforms rises from 2009 to 2016 and then stalls. If anything, the percentage

benefiting from non-tariff barrier reform fell since 2016 to around 30 per cent in 2019. In contrast, the percentage of Commonwealth exports facing non-tariff measures that were still in force had climbed to 90 per cent in 2019. Interestingly, the latter percentage jumped (by construction) from 0 per cent in November 2008 to over 70 per cent in 2009, implying that resort to non-tariff measures was a pervasive part of the early crisis-era response by the Commonwealth's trading partners. This finding implies that certain policy-makers and officials in international organisations were premature in congratulating themselves and the G20 for a subdued trade policy response in the dark days of 2009.

Interesting differences emerge in Commonwealth export exposure to trade reforms and potentially harmful non-tariff measures by other Commonwealth members and by non-Commonwealth members (see Figure 21). Intra-Commonwealth export exposure to changes in both tariff and non-tariff measures is currently lower than to changes implemented by non-Commonwealth members.

For potentially harmful tariff and non-tariff measures, extra-Commonwealth export exposure has been higher consistently since 2009 than intra-Commonwealth export exposure. For trade reforms, extra-Commonwealth exposure has exceeded intra-Commonwealth exposure since 2011 (again see Figure 21).

Figure 20. Much more Commonwealth exports are at risk of new import curbs than likely benefit from trading partners' reforms

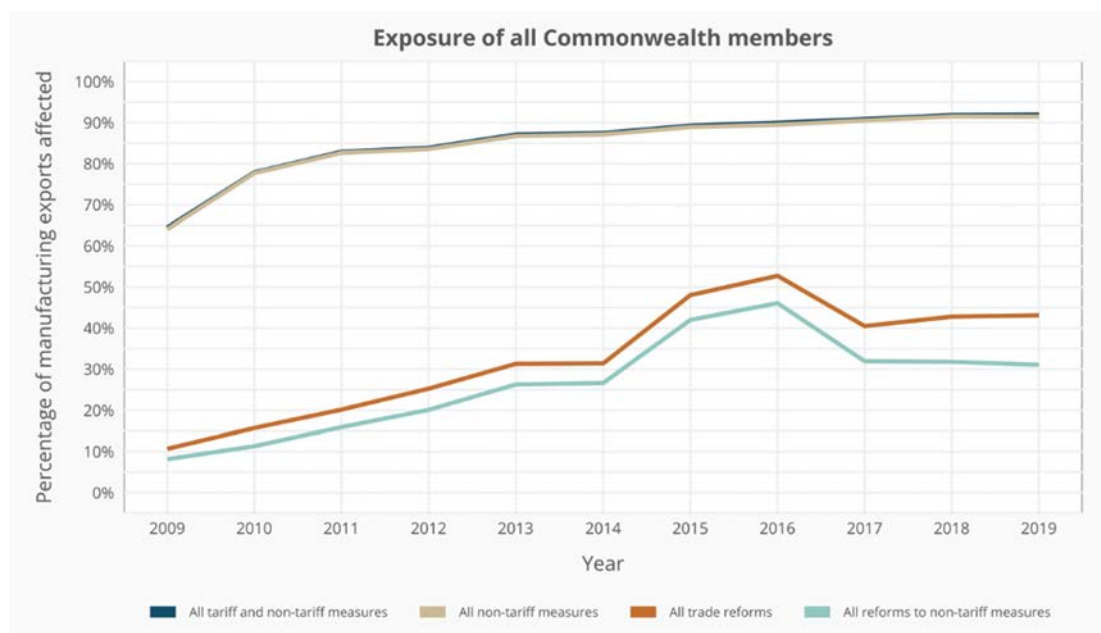
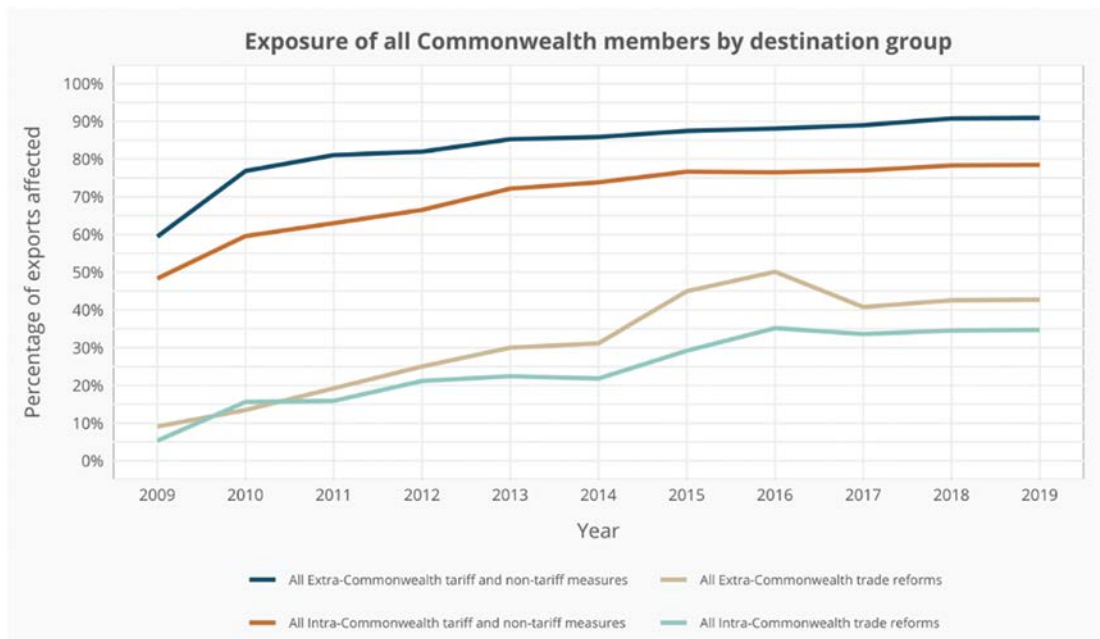


Figure 21. Smaller shares of intra-Commonwealth exports are exposed to trade curbs and to trade reforms than are exports to other nations



When the exposure of Commonwealth exports to tariff increases imposed since November 2008 is compared with the exposure to non-tariff measures, the percentages are not even close, as Figure 22 makes clear. Even with the tariff hikes of recent years, the exposure of Commonwealth exports to subsidised import-competing firms, to foreign exporters that benefit from state largesse and to new TBT and SPS

regulations was significantly larger, often multiples of the percentages facing tariff increases.

When the sources of the potential threats to intra- and extra-Commonwealth exports are broken down by policy instrument, interesting differences emerge. As far as intra-Commonwealth export exposure is concerned, competition against foreign rivals that receive state support when exporting to Commonwealth

Figure 22. The tariff hikes of recent years pale in commercial scale in comparison with export exposure to regulatory risks and to subsidised rivals competing with Commonwealth exporters

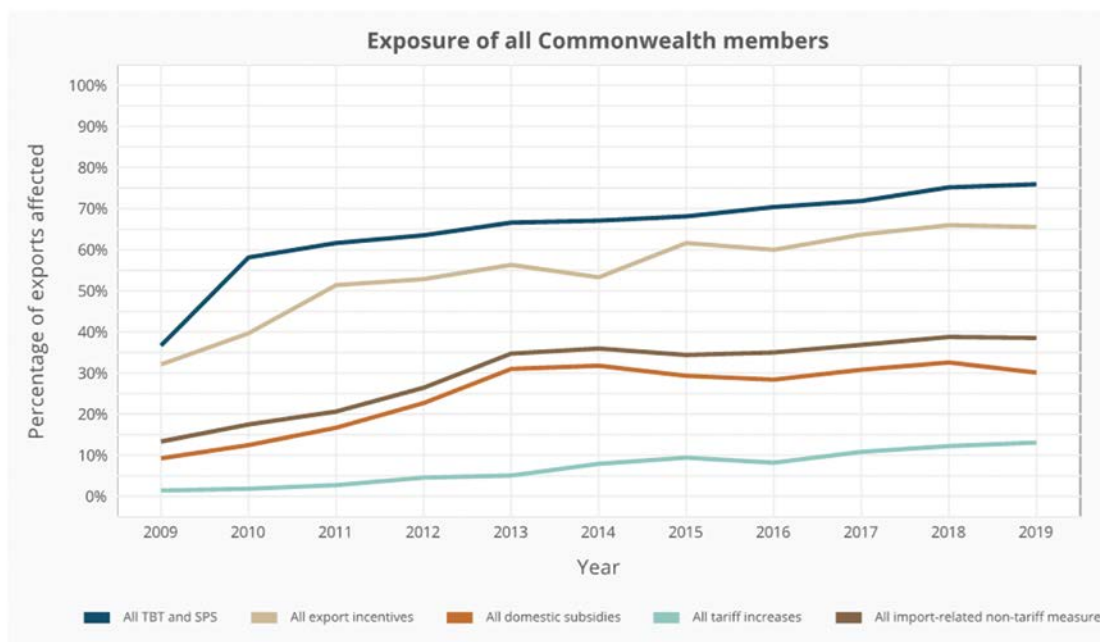
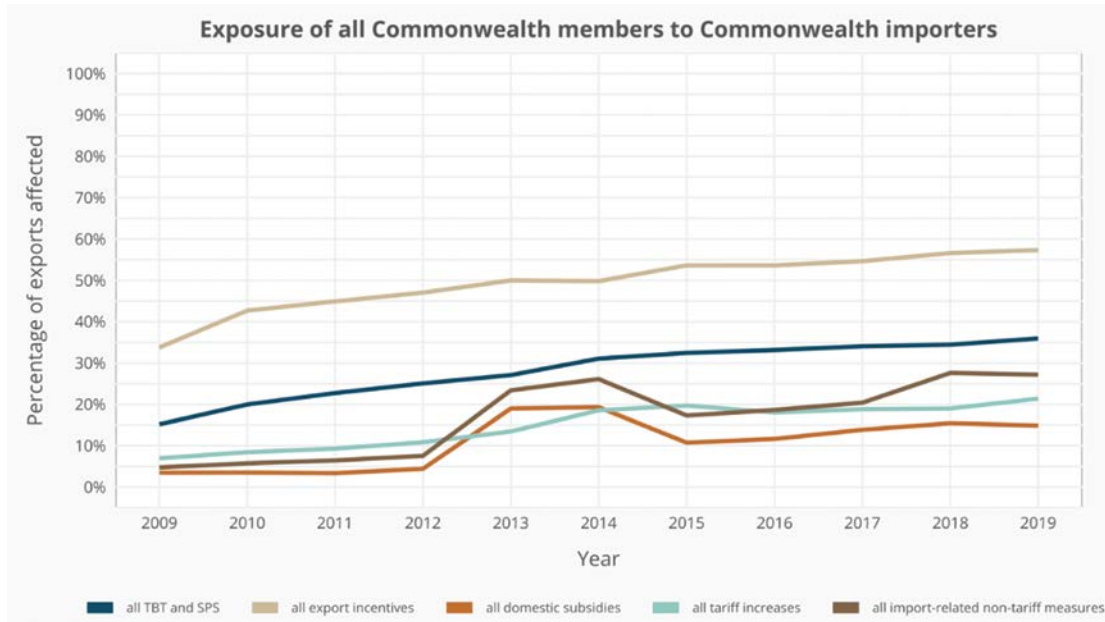


Figure 23. For intra-Commonwealth exports exposure to subsidised rivals in third markets is greater than exposure to new regulations



destination markets is by far the largest threat when compared with potentially harmful regulatory changes, import tariff increases, state aid to import-competing firms and other non-tariff trade distortions (see Figure 23).

In contrast, when it comes to extra-Commonwealth export exposure, potentially costly regulatory changes in trading partners are a threat on a greater scale than state-provided

export incentives (compare Figures 23 and 24). For extra-Commonwealth trade, exposure to import-related non-tariff measures far exceeds exposure to import tariff increases, whereas for intra-Commonwealth trade the degree of exposure to tariff and import-related non-tariff measures is relatively similar. Taken together with the evidence in Figure 21, these findings imply that commercial policy threats to

Figure 24. Exports to markets outside of the Commonwealth are more exposed to new regulations than to rivals receiving state-provided export incentives

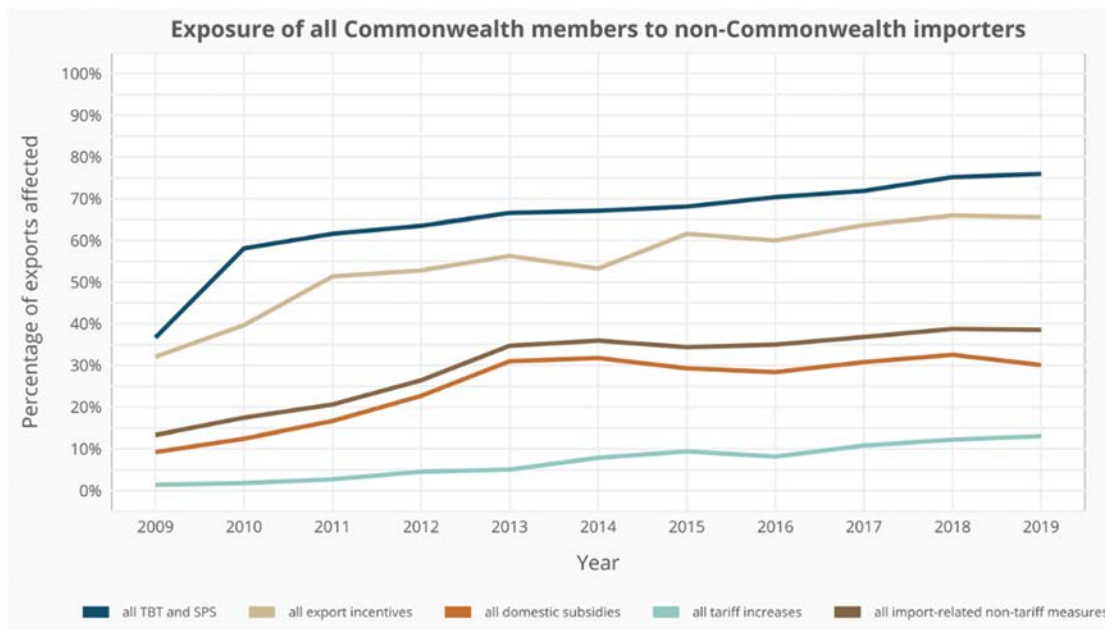
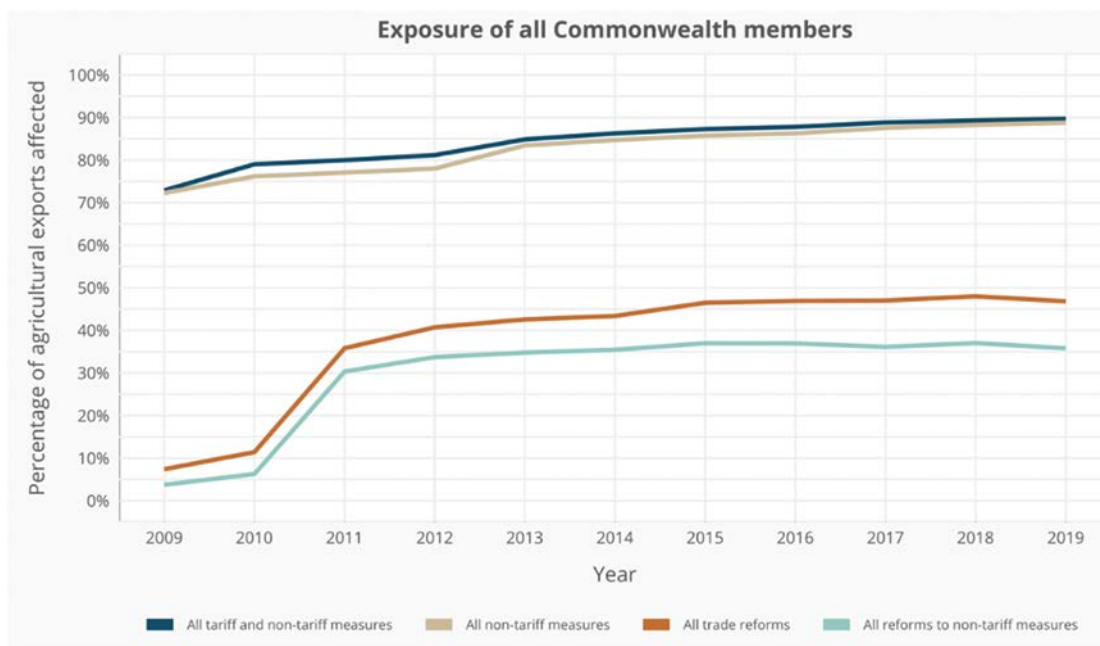


Figure 25. Exposure to agricultural trade reforms rose sharply in 2011 but exports at risk are still far greater



intra-Commonwealth exports are not a carbon copy of those bearing on extra-Commonwealth exports.

Figures 25 and 26 reproduce Figures 20 and 22, respectively, but for Commonwealth agricultural exports. Figure 25 shows that the percentage of Commonwealth agricultural exports that benefited from trade reforms abroad rose through to 2011 (to around 40 per cent) and then crept up slowly to 2019 (to almost 50 per

cent). Interestingly, exposure to non-tariff measure reform stalls from 2011 on. Once more, export exposure to regulatory change and to harmful non-tariff barriers is much larger.

Figure 26 reveals that, by 2019, over 90 per cent of Commonwealth agricultural exports faced new SPS measures. More generally, this figure shows that the accumulation of tariff increases is equalled or exceeded in scale by non-tariff measures. The latter may not grab the headlines

Figure 26. SPS measures now confront almost 90% of Commonwealth agricultural exports

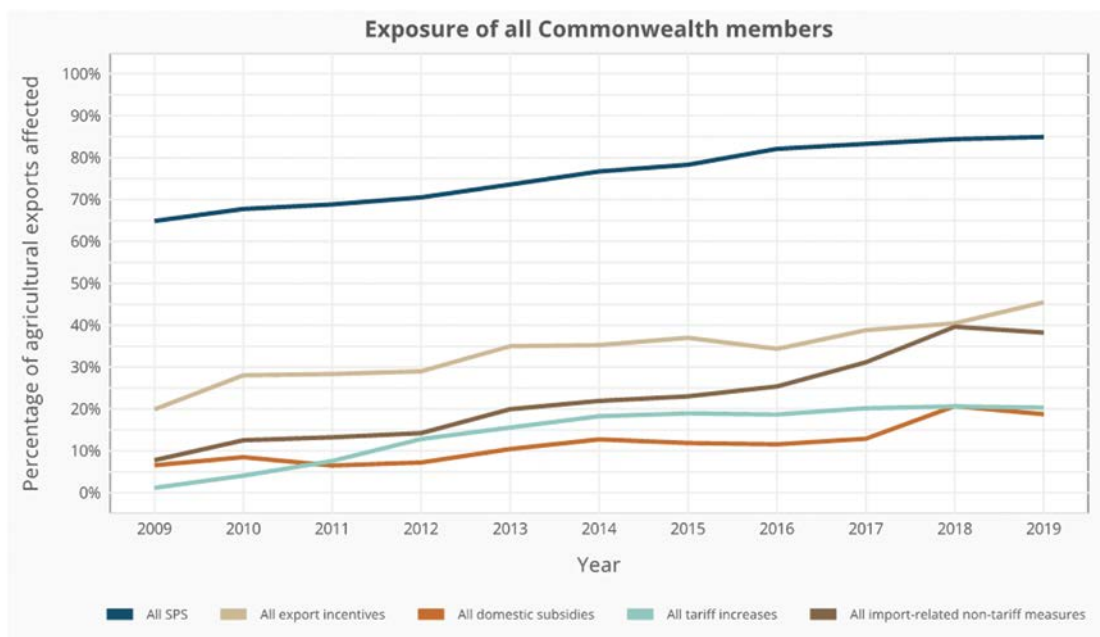
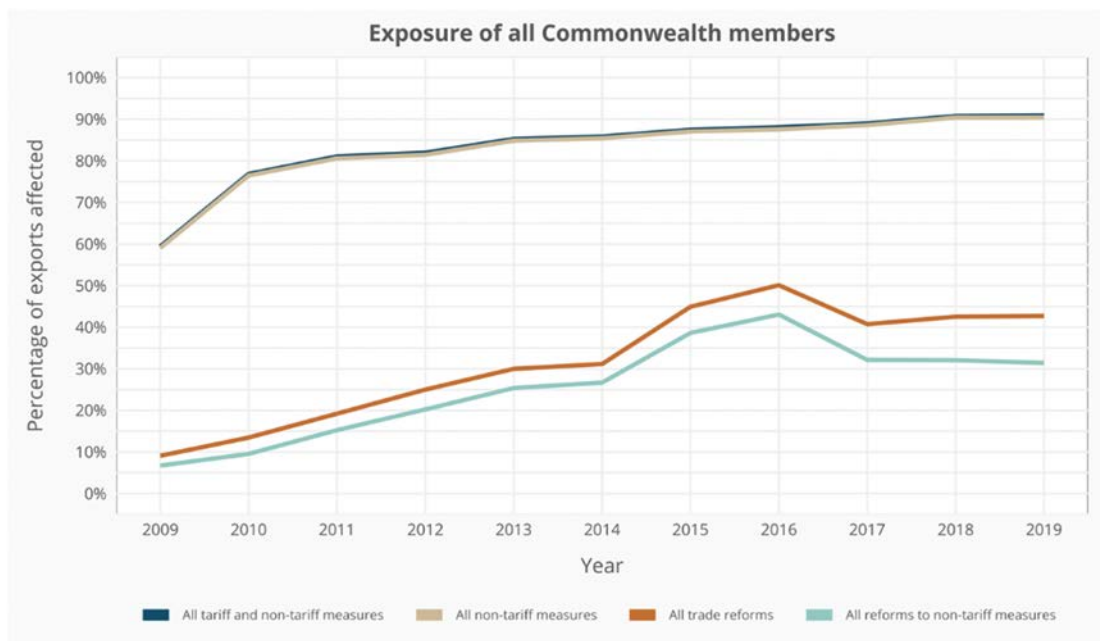


Figure 27. Trade reforms, in particular non-tariff barrier reforms, created opportunities for a growing share of Commonwealth manufacturing exports until 2016



but that does not make them less important to Commonwealth farmers and agricultural food processors. With respect to the Commonwealth's exports of manufactured goods, arguably the situation is worse (Figure 28).

As Figure 27 makes plain, the export exposure to reforms of non-tariff measures has been falling since 2016 for Commonwealth manufacturing exporters (at least it was stable for agricultural exports over the same timeframe).

The relative unimportance of tariff increases when compared with other policy interventions as measured by Commonwealth manufacturing export exposure is starker than for Commonwealth agricultural shipments (please compare Figures 24 and 26).

Figures 29 and 30 reproduce Figures 20 and 22, respectively, but for all exports by the developing country members of the Commonwealth. One interesting finding is that exposure to

Figure 28. Competition against subsidised foreign rivals and new TBT regulations confronted large shares of Commonwealth manufactured exports from 2009

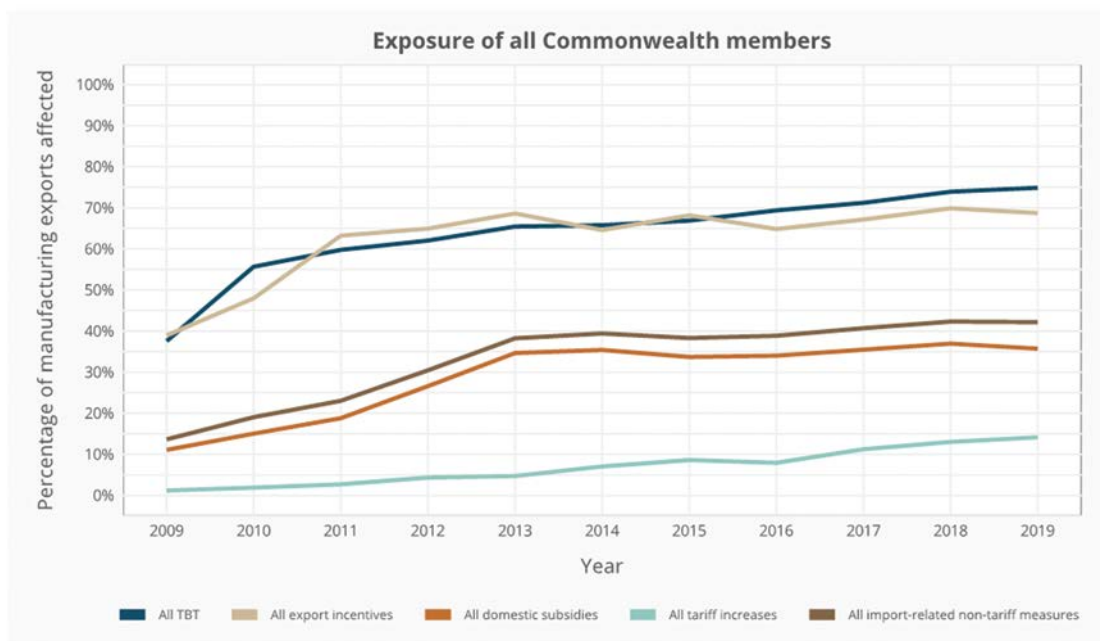
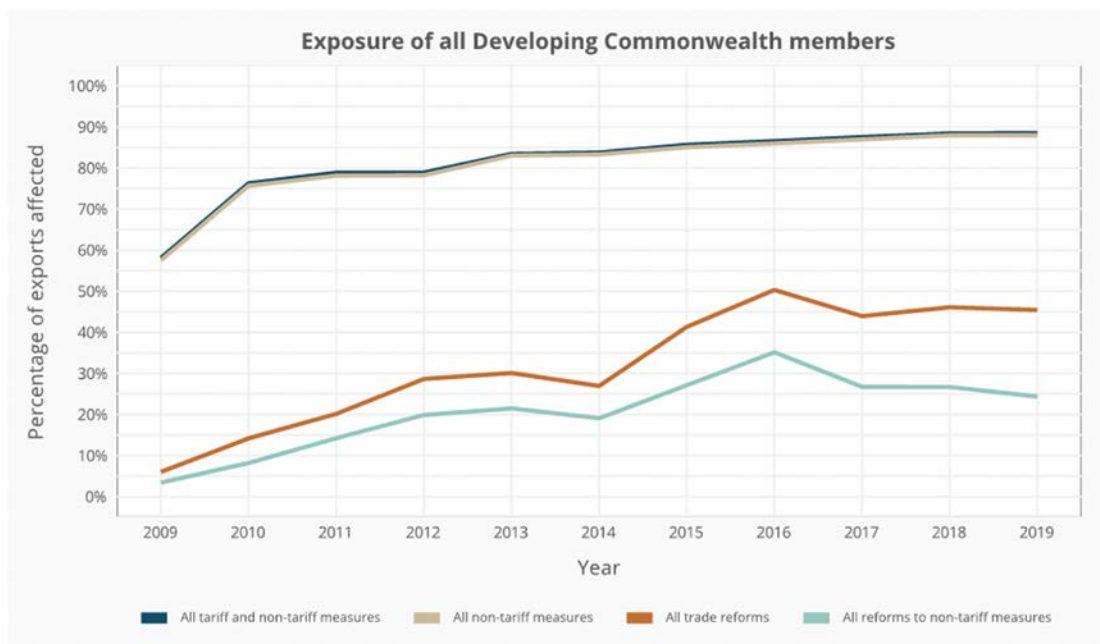


Figure 29. The exposure of developing country Commonwealth exports to non-tariff reforms has been falling since 2016



foreign trade reforms breached 50 per cent in 2016 but has stopped climbing since (see Figure 29). If anything, export exposure to foreign reforms to non-tariff measures is declining, a consequence of which may be that fewer commercial opportunities have been created for developing country exporters in recent years.

With respect to exposure to policy changes that could threaten developing country Commonwealth exports (as shown on Figure

29), the reported percentages have steadily climbed over time for import tariff increases, export incentives and new regulatory measures (TBT and SPS). For sure, there has been a sharp increase in the percentage of exports exposed to foreign tariff increases since 2017, but the rot set in earlier. If anything, the populist era has accelerated a trend that was underway. Only in the case of developing country exposure to subsidised import-competing firms did the levels

Figure 30. Developing country Commonwealth exports are more exposed to harmful competition from subsidised foreign rivals than TBT and SPS regulatory change

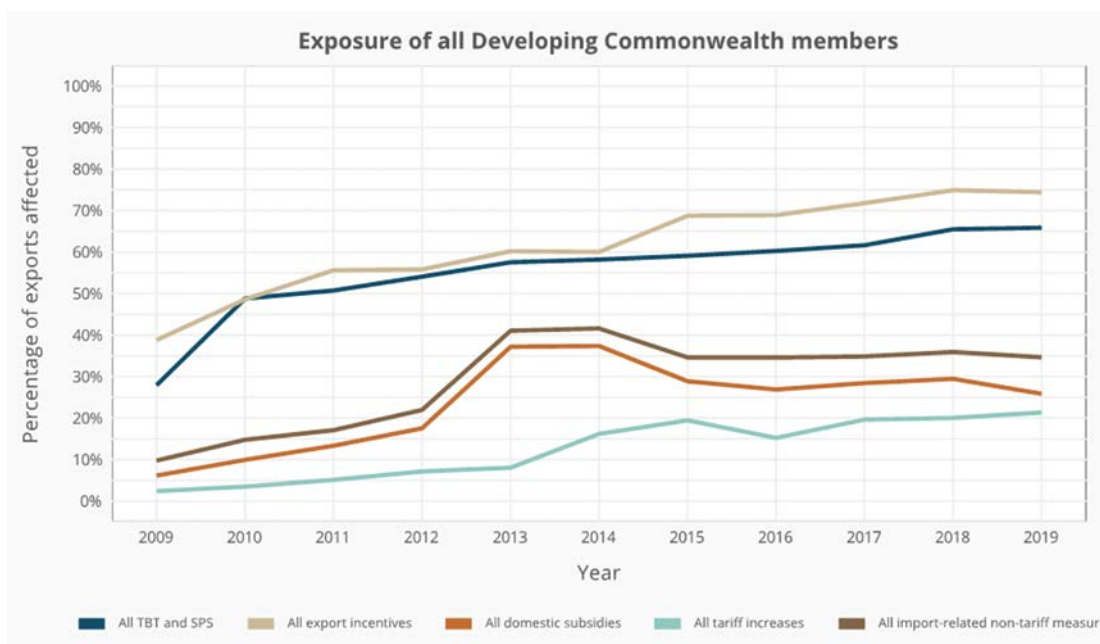
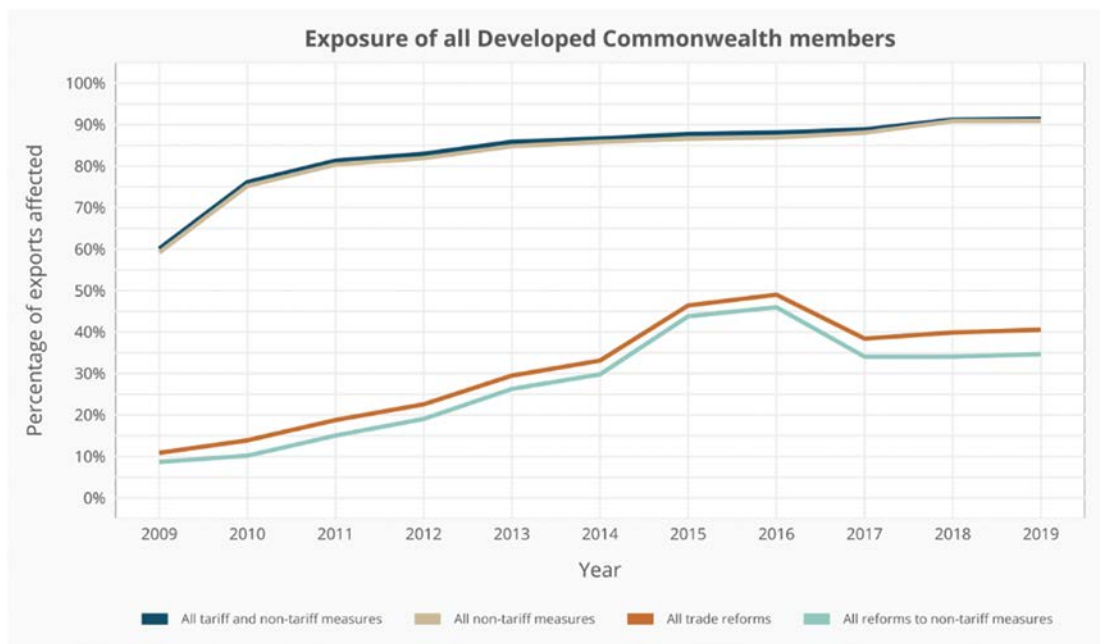


Figure 31. Non-tariff measures imposed at the start of the global financial crisis confronted over 70% of developed country Commonwealth exports in 2009



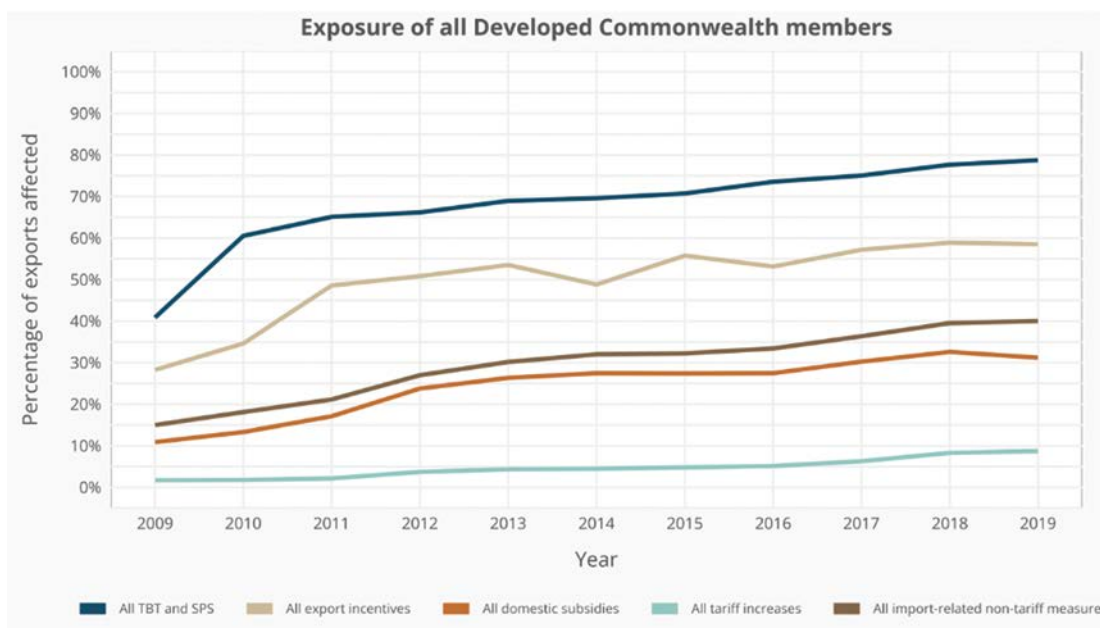
of estimated exposure stop growing and decline somewhat (after 2013).

For the developed country members of the Commonwealth, Figures 31 and 32 report the changes in their export exposure. Once again, very high levels of exposure to potentially adverse policy changes by trading partners occurred early in the crisis era and has crept up since (Figure 31). Export exposure to reforms abroad rose through to 2016 and has fallen back

since. The balance is firmly in favour of exposure to threats to exports, not to export opportunities created by foreign reforms.

With respect to the policy instruments responsible for those threats, Figure 32 reveals that, even after three years of populism, the cumulative effect of tariff increases over the past 10 years is to threaten less than 10 per cent of exports by developed country members of the Commonwealth. In contrast, different forms of

Figure 32. Every year since 2009 more developed country Commonwealth exports have faced new TBT and SPS regulations than competed against subsidised foreign rivals in third markets



subsidies (to local firms and to exporters) have threatened much larger percentages of developed country Commonwealth exports over the past 10 years. Even more striking is that the exposure to TBT and SPS policy changes soon exceeded exposure to foreign rivals receiving state-provided export incentives, although over the past 10 years both have confronted sizeable percentages of the exports from developed country members of the Commonwealth.

Overall, while there are differences in export exposure to policy changes in trading partners between developing and developed country members of the Commonwealth, taking a 10-year perspective there is much in common.

Both groups have seen steady increases in the overall exposure of their exports to policy changes that, even if they do not directly discriminate against them, introduce compliance costs and uncertainty. Moreover, the scales are stacked squarely in favour of harsher trading conditions for Commonwealth exporters as opposed to commercial opportunities created by foreign reforms. Finally, while trade policy has gained attention during the current populist era, threats to Commonwealth exports had built up considerably before anyone had heard of America First policies or other nationalistic approaches to trade.

5. Implications for policy formulation and dialogue

Trade policy-makers and analysts have long known about non-tariff measures and the potential for governments to substitute more transparent trade restrictions for harder-to-spot ones. By combining in a consistent manner information on policy changes in products exported by Commonwealth countries, this study has confirmed that exposure to trading partners' non-tariff measures far exceeds exposure to import tariff increases. This has been the case since the onset of the global financial crisis and during the recent populist era. This finding applies to intra-Commonwealth trade as well as extra-Commonwealth trade. Export incentives, financial support for import-competing firms and new technical barriers to trade and new health standards for food and agriculture implemented by trading partners are found in this study to be so pervasive that coping with them is a major challenge for Commonwealth exporters.

Governments have also tried to limit the resort to non-tariff measures and the abuse of legitimate regulatory policies by including provisions in trade agreements about such matters; by encouraging regulatory agencies to define and adhere to non-discriminatory and transparent regulatory standards (often outside the purview of trade agreements); and by raising concerns bilaterally with the trading partner concerned. Laudable though these efforts are, given the scale of Commonwealth exports

implicated by changing non-tariff measures abroad reported in this study, surely the question arises: is enough being done?

Arguably, after the *de facto* collapse of the Doha Development Agenda, an inward turn in the politics of several governments (some of them representing the largest trading powers on Earth or the most populous nations), and a greater reluctance of many governments to trust private sector development to market forces (as evidenced by the resurgence of interest in industrial policy), some may doubt whether the timing is ripe for another high-profile push for commercial policy reforms. Such doubters have a point. At the moment, there appears to be little appetite among major trading powers to tie their own hands in binding trade accords.

But that does not stop the groundwork being done for future negotiations. Breakthroughs in the world trading system do not happen overnight; they are not the result of sprints, they are more like a marathon. Moreover, there appears to be greater willingness these days by some governments to contemplate new accords. Furthermore, it is not evident that any new accords would be negotiated under the auspices of the WTO, no matter how desirable that may be. In terms of membership, content and negotiating modalities, there is plenty to thrash out, in particular among trade technocrats. Moreover, policy-makers, officials and analysts still need time to chew over the growing

factual base concerning non-tariff measures. More estimates of the effects and not just the scale of non-tariff measures are needed as well. Commonwealth members could commit publicly not to stifle necessary evidence collection. What matters is that this deliberative process begins, perhaps focusing on one or two classes of non-tariff measure that implicate double-digit percentages of the exports of a range of Commonwealth nations.

In exploring the implications of non-tariff measure reform, non-trade-related benefits should not be overlooked. For example, steps to rein in state-provided export incentives are likely to have public finance benefits and could be of interest to finance ministries and to the International Monetary Fund. For some policies, the balance of domestic forces in favour and against non-tariff reforms could differ markedly from those animated by cutting import tariffs.

At first, the very diversity of the Commonwealth group of nations may be seen as a disadvantage for such deliberations. Arguably, member governments currently differ in the importance they attach to facilitating cross-border commerce compared with other priorities. As so many non-tariff measures implicate potentially sensitive areas of domestic regulation or other state prerogatives, naturally some governments may have concerns about any perceived loss in autonomy brought about by potential new accords. Those concerns must be talked through and the discussion shifted towards evaluating the relative merits of alternative means to attain legitimate social ends. Means should be compared, with evidence brought to bear on which policies have been tried before and their effectiveness, and which policy alternatives involve a lesser degree of discrimination against foreign commercial interests.

Notes

- 1 For example, SDG 17 includes the promotion of a universal, rules-based, open, non-discriminatory and equitable trading system as a target.
- 2 Indeed, the very fact that some forms of protectionism have a higher profile than others may well influence the choice by some policy-makers to use them in the first place. Arguably, President Trump wanted to be seen to take on alleged Chinese trade malpractices. In other situations, officials have resorted to hidden non-tariff barriers to blunt import competition and to frustrate foreign access to their nation's markets.
- 3 It is important to distinguish between the exposure of a nation's exports to a particular policy-induced trade distortion abroad and the effect on the volume and value of trade of that distortion or on the welfare of the exporting nation. This paper follows in the long tradition of analysis that computes and reports findings on the trade 'covered' by policy intervention. Using econometric methods it is possible to link (appropriately calculated) estimates of trade coverage to estimates of the impact on the total value of trade. Evenett and Fritz (2015) conducted such an econometric analysis of the trade distortions imposed early in the global economic crisis on the total value of exports from the least developed countries (LDCs). In a later study, Evenett and Fritz (2017) estimated the degree to which the total value of exports out of the EU was influenced by the trade distortions implemented by third parties. Neither of these studies included information on export exposure to TBT and SPS regulations, which is a prominent feature of this study.
- 4 WTO TBT Information Management System
- 5 WTO SPS Information Management System
- 6 Given the wide potential differences across products and countries in the prices of exports, no existing price deflator seems appropriate. Readers are therefore cautioned that the changes over time in reported values of total exports can be influenced by price effects as well as changes in the total quantities shipped abroad.
- 7 For example, the trade-weighted US dollar index rose sharply from mid-2014 to end-2016, contributing to the fall in the total US dollar value of exports reported by many US trading partners. Data on this index can be found at <https://fred.stlouisfed.org/series/TWEXB>
- 8 The groups of Commonwealth members reported in this and subsequent sections of this study are those employed by the Commonwealth Secretariat.
- 9 The lack of export volume data for the Commonwealth countries as a group prevents any assessment of the contribution of changing prices and quantities to the growth of the total value of exports recorded since 2016.
- 10 The comparable statistics for average annual growth rates of goods exports worldwide were from 10.6 per cent to 3.3 per cent, respectively.
- 11 The lack of global data on foreign direct investment and services trade data with the same degree of granularity as that for international trade in goods prevents similar, potentially interesting, calculations being conducted for other forms of international commerce. All of the calculations undertaken for this study concerning export exposure are based on cross-border goods

- trade data at the six-digit level of disaggregation in the UN Comtrade database. This is the finest degree of granularity of goods trade data available globally.
- 12 As will become evident, only implemented policy interventions affecting trade in goods count towards the totals reported in this study.
 - 13 Here it is appropriate to note that the WTO TBT and SPS notifications do not provide information on when the notified regulation lapses.
 - 14 Given the start date for the policy interventions in the GTA database was 1 November 2008, so as to prevent policy intervention during and after the global financial crisis distorting the trade coverage calculations, the weight assigned here to each trade flow is determined by the relevant share of world trade during the pre-crisis years 2005–2007.
 - 15 Somewhat inaccurately, the shorthand ‘manufacturing goods’ is adopted for non-agricultural goods.

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Annex

Sources: GTA and WTO TBT and SPS databases, January 2020.

Note: Relevant Commonwealth members marked in black. Destinations with no exports from these countries between 2016 and 2018 marked in grey.

