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NEW ECIPE POLICY BRIEF

Trade Policy in the BRIICS: A Crisis Stocktake and Looking Ahead

Are trade policies in emerging market becoming more protectionist? After having successfully integrated in the global economy thanks to important economic and trade policy reforms, the world's biggest emerging economies are sliding into creeping protectionism induced by crisis-related government interventions. They have also failed to address more thorny regulatory domestic barriers to trade and investment, which hampers growth prospects. In his new policy brief, Razeen Sally provides an overview of trade policy reforms in Brazil, Russia, India, Indonesia, China and South Africa and assesses them in the context of the current crisis. The author also lays out six major policy priorities for the BRIICS.

A snapshot of BRIICS 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, with creeping protectionism setting in. Russia is at one extreme. It has strongly *deliberalised* since about 2004, especially through state nationalisation of energy assets. At the other end of the spectrum, China -- by far the most important of the BRIICS -- has seen its sweeping liberalisation stall since about 2006, with a concomitant rise in industrial-policy interventions to promote selected domestic sectors. The other BRIICS lie in between, with reforms stalling from the late 1990s onwards.

- *“Creeping protectionism has accelerated in the wake of the global economic crisis -- not very much in terms of up-front, border-based protectionism, but more in the form of behind-the-border regulatory barriers emerging from domestic “crisis interventions”. New protectionist measures have appeared, ranging from tariffs and import licensing to discriminatory government procurement and tighter application of product standards”,* writes Razeen Sally. But crisis-related protectionism in most of the BRIICS has been relatively restrained to date, except in Indonesia and – especially – Russia.

Razeen Sally argues that BRIICS should have six trade-policy priorities. *First*, in the short-term, they should counter creeping, crisis-related protectionism by containing the expansion of government at home, *including* fiscal-stimulus packages with embedded protectionism. *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. Such “second-generation” reforms would lower business costs for domestic and international traders, and domestic and international investors. *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 or the G20. *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.

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