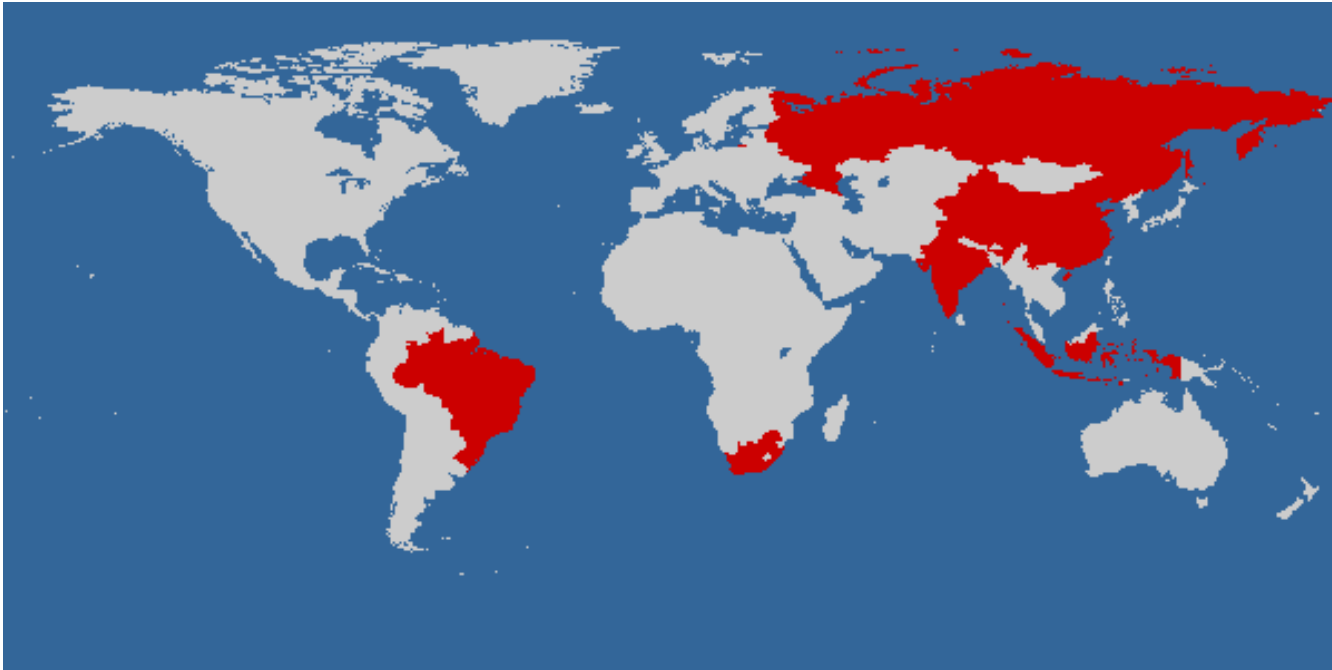


BRIICS Trade Policy



Razeen Sally
LSE / ECIPE

Australian National University, February 2008

GLOBALISATION / BRIICS TRADE POLICY

- **General questions**
- **The global climate for external liberalisation**
- **BRIICS trade-policy reforms**
- **Political economy of trade-policy reforms**
- **Multi-track trade policy**
- **What lessons for future liberalisation?**

GLOBALISATION / BRIICS TRADE POLICY

- **The global climate for external liberalisation**
 - Global context: slowdown of reforms, but not reversal, of reforms; more difficult climate for further reforms
 - BRIICS
 - Liberalisation scepticism: globalisation anxiety; arguments contra liberalisation and for “policy space”

GLOBALISATION / BRIICS TRADE POLICY

- **What the sceptics say (cont.):**
 - Globalisation, growth, poverty reduction
 - Northern liberalisation, Southern policy space
 - Infant-industry protection, “hard” industrial policies and the “developmental state”
 - But domestic obstacles to growth
 - The case for further external opening: trade-related domestic regulatory reforms (“second-generation” reforms); country studies

GLOBALISATION / BRIICS TRADE POLICY

- **BRIICS trade-policy reforms compared:**
 - Trade and FDI liberalisation: overall developing-country trends; measures undertaken
 - But remaining protection: unfinished business
 - Brazil
 - India
 - China
 - Indonesia
 - South Africa
 - Russia

GLOBALISATION / BRIICS TRADE POLICY

- **BRIICS trade policies compared (cont.):**
 - BRIICS detail: tariffs; NTBs; AD; investment; services
 - Domestic business climate: regulatory barriers
 - Trade and FDI trends
 - Obstacles to growth: combination of trade/FDI barriers and domestic business climate issues

BRIICS Economic Indicators (2006)

	GDP	GDP Growth	Population	Per Capita GDP (PPP)	GDP PPP	Goods Export	Service Export	Total Goods Trade	Total Service Trade	Trade/GDP	FDI Inflow	FDI Inflow / GDP
	(US\$ bn)	(%)	(mn)	(US\$)	(US\$ bn)	(US\$ bn)	(US\$ bn)	(US\$ bn)	(US\$ bn)	(%)	(US\$ bn)	(%)
World	48 244,9	4,0	6 517,8	10 252,4	66 823,0	12 063,5	2 768,3	24341,9	5 406,4	a. 52,1	1 305,9	2,1
EU c.	12 957,8	d. 3,0	461,1	28 101,9	12 386,4	1 481,7	555,4	3 179,5	1 027,1	b. 21,9	531,0	4,1
US	13 201,8	3,3	299,0	44 155,0	13 201,8	1 038,3	388,8	2 957,7	696,6	25,9	175,4	1,3
Brazil	1 068,0	3,7	188,7	9 054,0	1 708,4	137,5	17,9	233,4	44,8	26,4	18,8	1,8
Russia	986,9	6,7	142,4	11 974,3	1 704,8	304,5	30,1	468,4	74,4	55,8	28,7	2,9
India	906,3	9,2	1 109,8	3 827,1	4 247,4	120,3	73,8	295,1	137,5	41,8	16,9	1,9
Indonesia	364,5	5,5	223,0	4 130,4	921,2	103,5	5,1	183,8	22,3	60,4	5,6	1,5
China	2 668,1	10,7	1 311,8	7 659,7	10 048,0	968,9	91,4	1 760,4	191,7	69,0	69,5	2,6
S. Africa	255,0	5,0	47,4	11 960,2	566,8	58,4	11,7	135,7	25,7	57,5	-0,3	-0,1
TOTAL BRIICS	6 248,7	-	3 023,1	48 605,7	19 196,6	1 693,1	230,1	3 076,8	496,4	-	139,1	-

Source: World Bank WDI, WTO Statistical Database, UNCTAD WIR 2007

Bound and Applied MFN Tariffs (World Bank Source 2005)

	Year	Binding Coverage (All Goods)	Simple Mean Bound Rate (All Goods)	Simple Mean Tariff (Manufactures)	Simple Mean Tariff (Agriculture)	Simple Mean Tariff (All Products)	Weighted Mean Tariff (All Products)	Share of Lines with Int. Peaks (All Products)	Share of Lines with Spec. Rates (All Products)
EU	2005	100,0	4,2	1,7	7,9	2,7	2,0	6,7	9,0
US	2005	100,0	3,6	3,3	2,8	3,2	1,6	6,1	5,9
Japan	2005	99,7	3,0	2,3	8,4	3,3	2,5	8,1	2,7
Brazil	2005	100,0	31,4	12,6	7,9	12,3	7,1	27,7	0,0
Russia	2005	0,0	-	11,5	10,7	11,4	9,6	17,9	16,0
India	2005	73,8	49,6	15,9	24,4	17,0	14,5	15,5	3,5
Indonesia	2005	96,6	37,1	6,4	7,2	6,5	6,0	8,7	0,0
China	2005	100,0	10,0	9,2	8,8	9,2	4,9	19,1	0,0
South Africa	2005	96,3	19,4	8,8	5,4	8,5	5,4	21,3	1,0
Low and Middle Income Countries	-	76,2	34,8	9,4	9,0	12,3	6,1	17,8	0,9
High Income Non-OECD	-	67,3	21,3	3,7	6,3	4,1	1,2	5,0	0,8
High Income OECD	-	98,6	7,4	3,0	3,7	3,1	2,0	3,7	0,0

Note for all countries except Russia: Rates are either partially or fully recorded applied rates. All other simple and weighted tariff rates are MFN rates.

Bound and Applied MFN Tariffs (WTO Source 2006)

	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	2006	100,0	5,4	3,9	15,1	5,4	3,4	229
US	2006	100,0	3,5	3,3	5,3	3,5	2,5	350
Japan	2006	99,6	6,1	2,8	24,3	5,6	4,5	958
Brazil	2006	100,0	31,4	12,6	10,2	12,3	8,2	35
Russia	2005	-	-	11,1	13,5	11,4	12,9	227
India	2005	73,8	49,2	16,4	37,6	19,2	14,7	268
Indonesia	2006	96,6	37,1	6,8	8,2	6,9	4,8	170
China	2006	100,0	10,0	9,0	15,7	9,9	4,7	65
South-Africa	2006	96,6	19,1	7,9	9,0	8,0	6,1	c. 40

a. Simple Average of *ad-valorem* duties

b. 2005 c. SAIIA

Source: WTO Tariff Profiles

Average Applied Tariffs for BRICS (unweighted in %)

	1985	1990	1995	2000	2005
EU	-	8,7	4,3	2,2	2,5
US	-	6,3	4,3	3,6	3,0
Brazil	51,0	32,2	13,2	16,6	12,2
Russia Federation	-	c. 7,3	d. 11,2	11,1	10,0
India	100,0	81,8	41,0	32,7	16,0
Indonesia	27,0	20,6	14,0	7,8	6,5
China	a. 38,1	40,3	22,4	16,2	9,0
South Africa	b. 29,0	11,0	d. 15,0	6,9	7,8

a. 1986 - b. 1984 - c. 1993 - d. 1996

Note: All tariffs rates are based on unweighted averages for all goods in ad valorem rates, or applied rates, or MFN rates whichever data is available in a longer period.

Source: World Bank <http://siteresources.worldbank.org/INTRES/Resources/tar2005.xls>

Decline in Effective Rates of Protection for Manufacturing in BRIICS

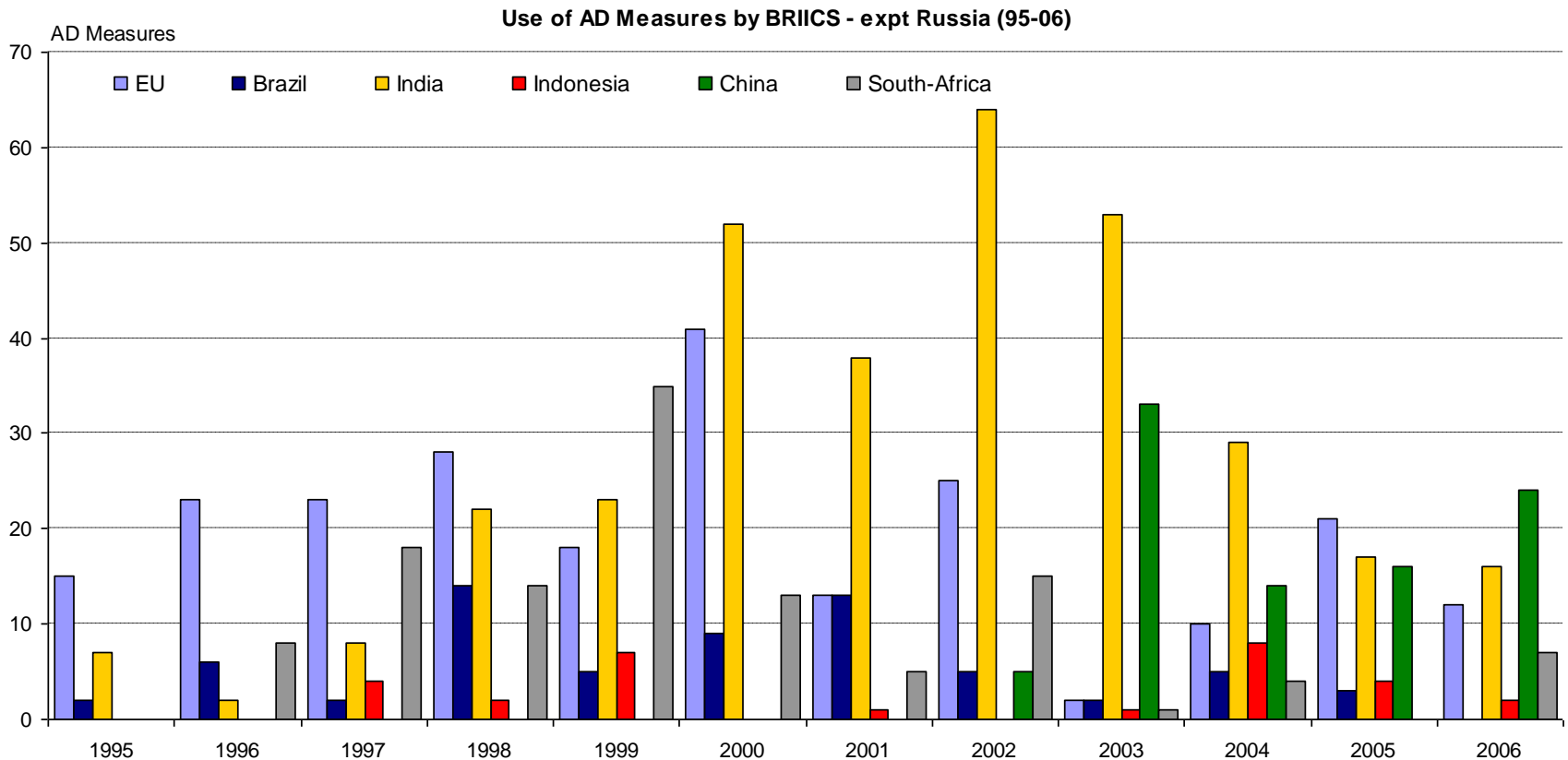
Country	Year	ERP	Source
Brazil	1987	86	Ferreira and Rossi (2003)
	1990	55	Ferreira and Rossi (2003)
	1997	18	Ferreira and Rossi (2003)
India	1986-90	107	Sen (2008)
	1996-2000	42	Sen (2008)
Indonesia	1975	74	World Bank (1993)
	1987	70	Fane and Condon (1996)
	1990	59	World Bank (1993)
	1995	25	Fane and Condon (1996)
South Africa	1993	48	Edwards (2005)
	2000	15	Edwards (2005)
	2004	12,7	Edwards (2005)

Coverage Ratio of Non-tariff Barriers in Import Trade (Unweighted/ Simple Averages in %)

Country	1984-87	1988-90	1991-93	1997-2000	2001
Brazil	35.3	3.2	1.5	-	3,8
Russia	-	-	-	-	0,9
India	80.7	65.4	62.6	-	34,7
Indonesia	94.7	9.4	2.7	3.1	1,8
China	10.6	23.2	11.3	5.7	7,6
South Africa	-	-	-	-	1,1

Source: Hoekman, Mattoo and Engels (2002) Development, Trade and the WTO: A Handbook, World Bank (Table A-4 Appendix) and WTO, Trade Policy Review – Country Report (various). Figures for 2001 come from World Bank: siteresources.worldbank.org/INTRES/Resources/469232-1107449512766/ntb2001.xls

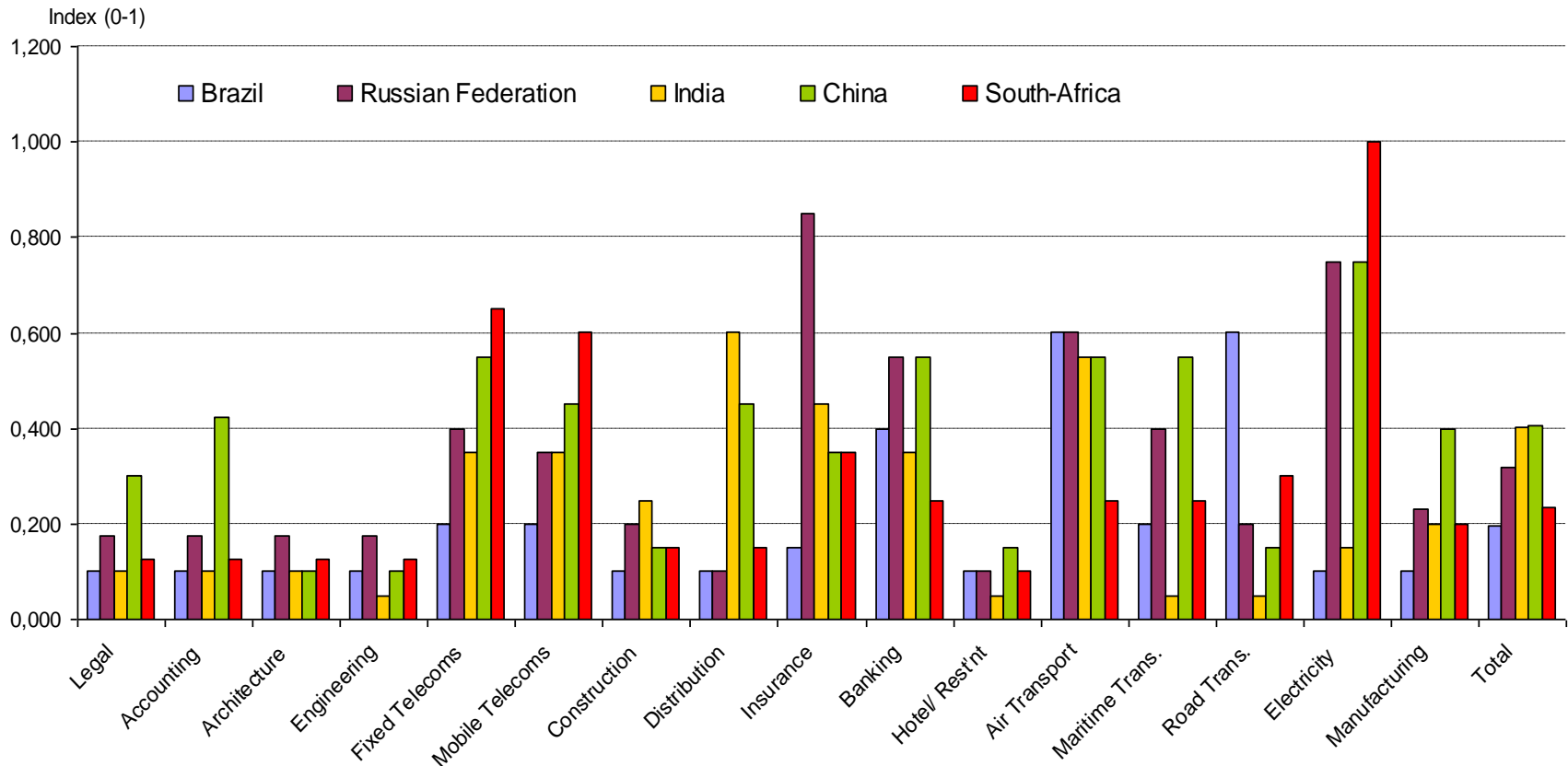
Use of AD Measures by by BRIICS - except Russia (1995-2006)



Source: WTO, http://www.wto.org/english/tratop_e/adp_e/adp_stattab7_e.xls

OECD FDI Regulatory Restrictiveness Scores for BRIICS - excl. Indonesia (1 = closed, 0 = open)

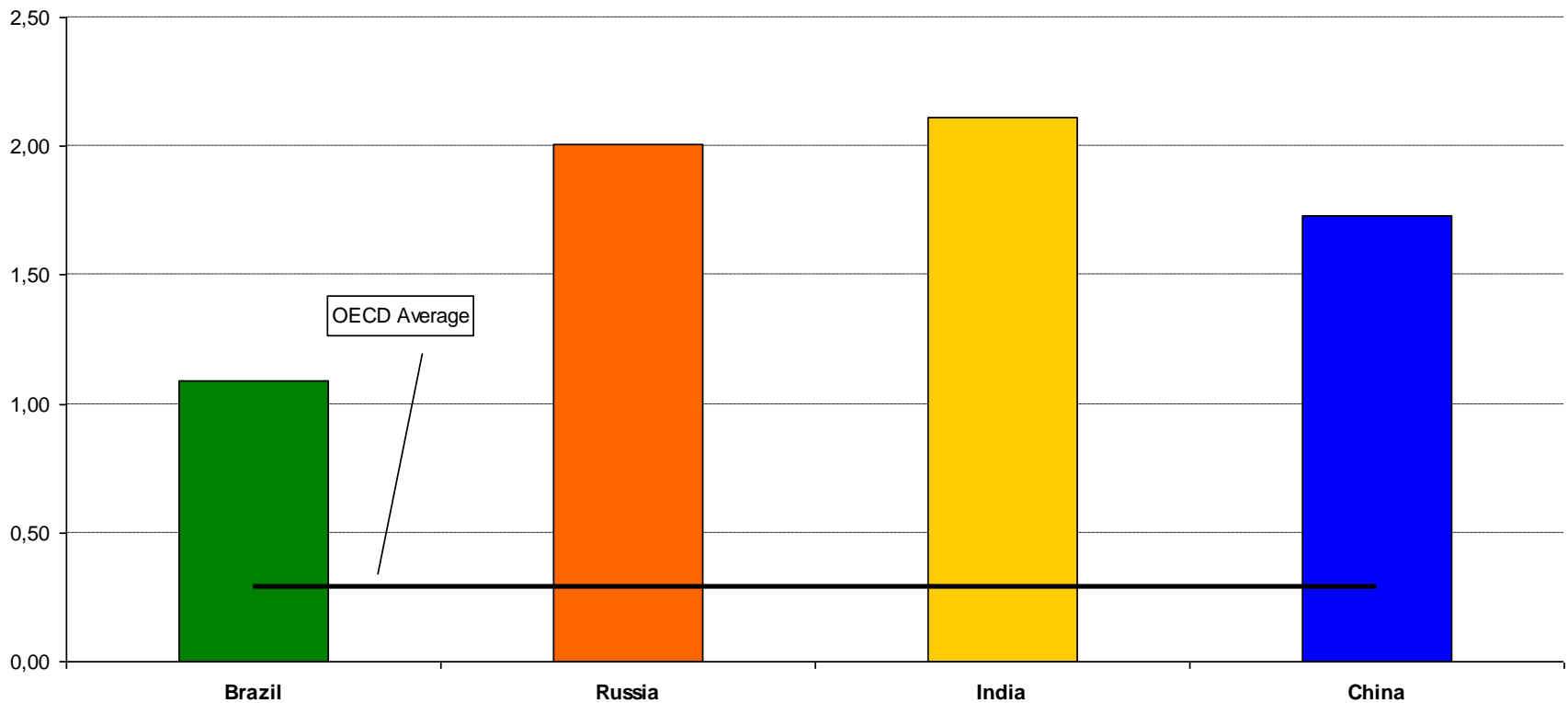
FDI Regulatory Restrictiveness by Country and Sector



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 REGULATORY RESTRICTIVENESS INDEX: REVISION AND EXTENSION TO MORE ECONOMIES, ECONOMICS DEPARTMENT WORKING PAPERS No. 525, By Takeshi Koyama and Stephen Golub, 06-Dec-2006

OECD Trade Restrictiveness Index for BRIICS in *Banking*

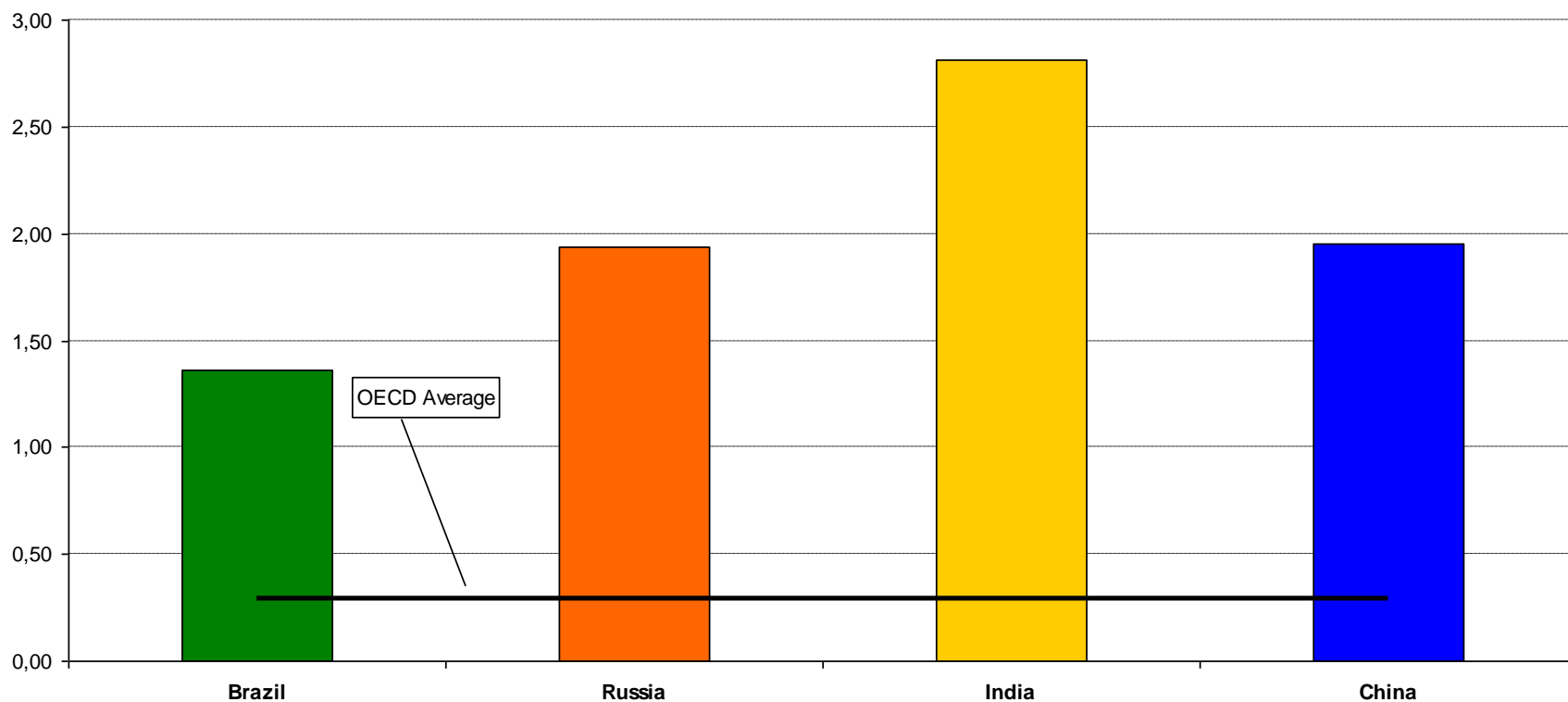
OECD Trade Restrictiveness Index for BRIICS in Banking



OECD (2007), Modal Estimates of Services Barriers, OECD Trade Policy Working Paper No. 51, pp. 23-27

OECD Trade Restrictiveness Index for BRIICS in *Insurance*

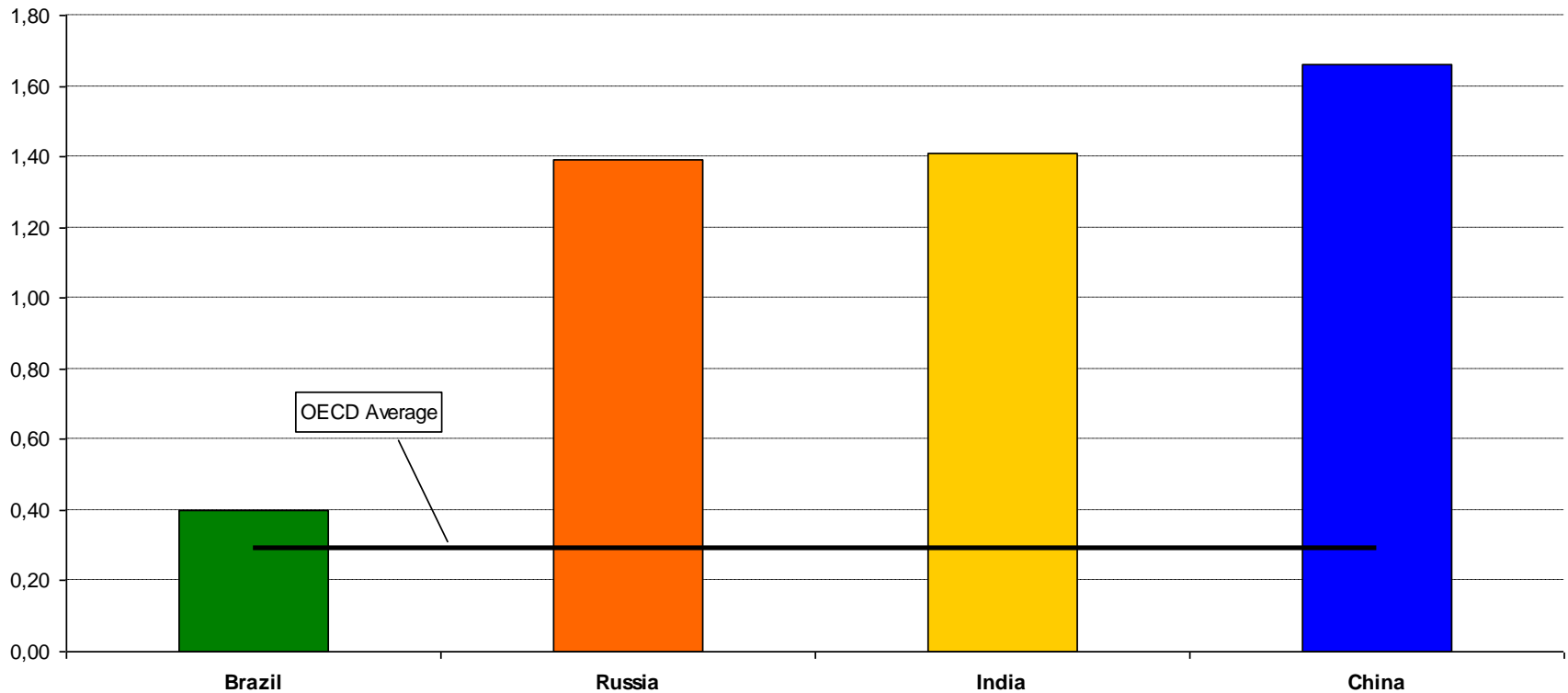
OECD Trade Restrictiveness Index for BRIICS in Insurance



OECD (2007), Modal Estimates of Services Barriers, OECD Trade Policy Working Paper No. 51, pp. 23-27

OECD Trade Restrictiveness Index for BRIICS in *Fixed Telecom*

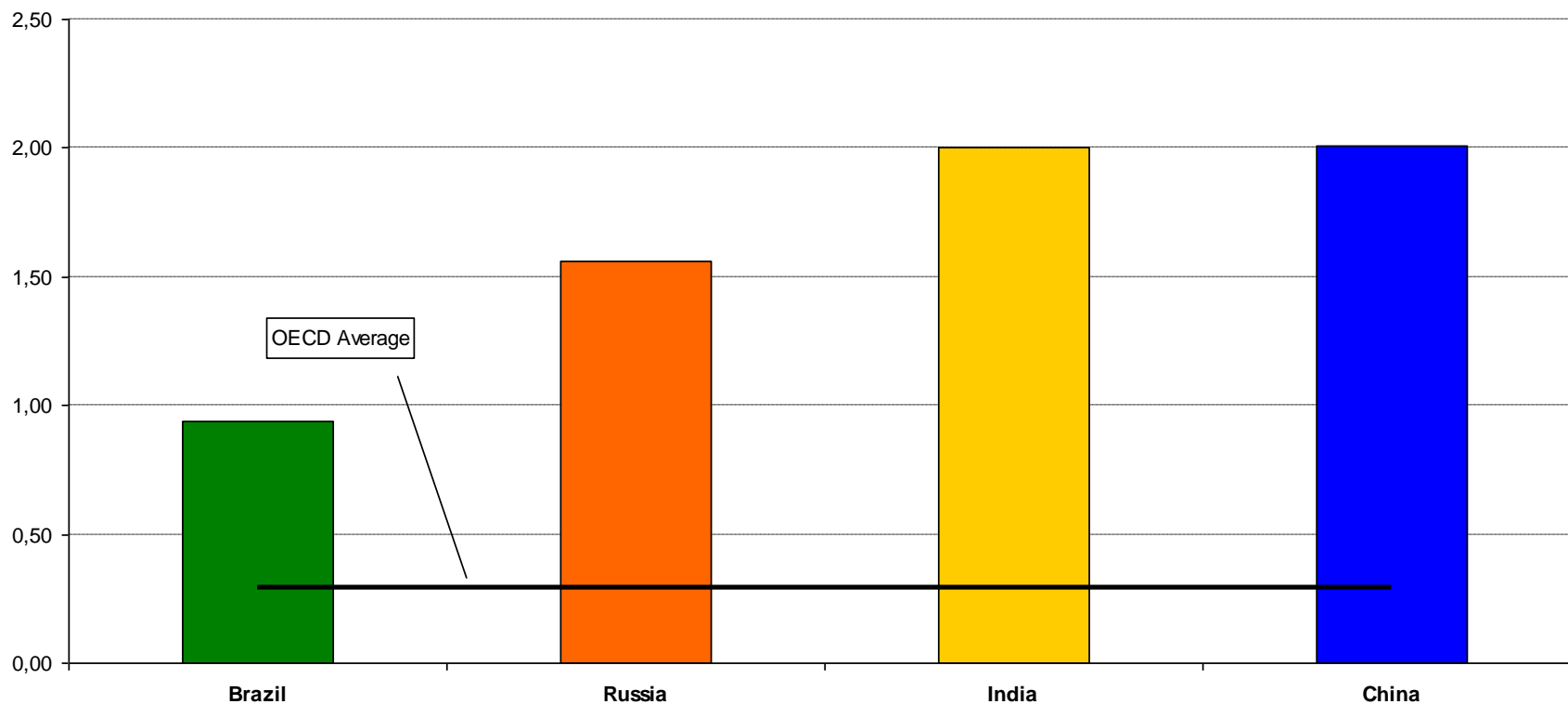
OECD Trade Restrictiveness Index for BRIICS in Fixed Telecom



OECD (2007), Modal Estimates of Services Barriers, OECD Trade Policy Working Paper No. 51, pp. 23-27

OECD Trade Restrictiveness Index for BRIICS in *Mobile Telecom*

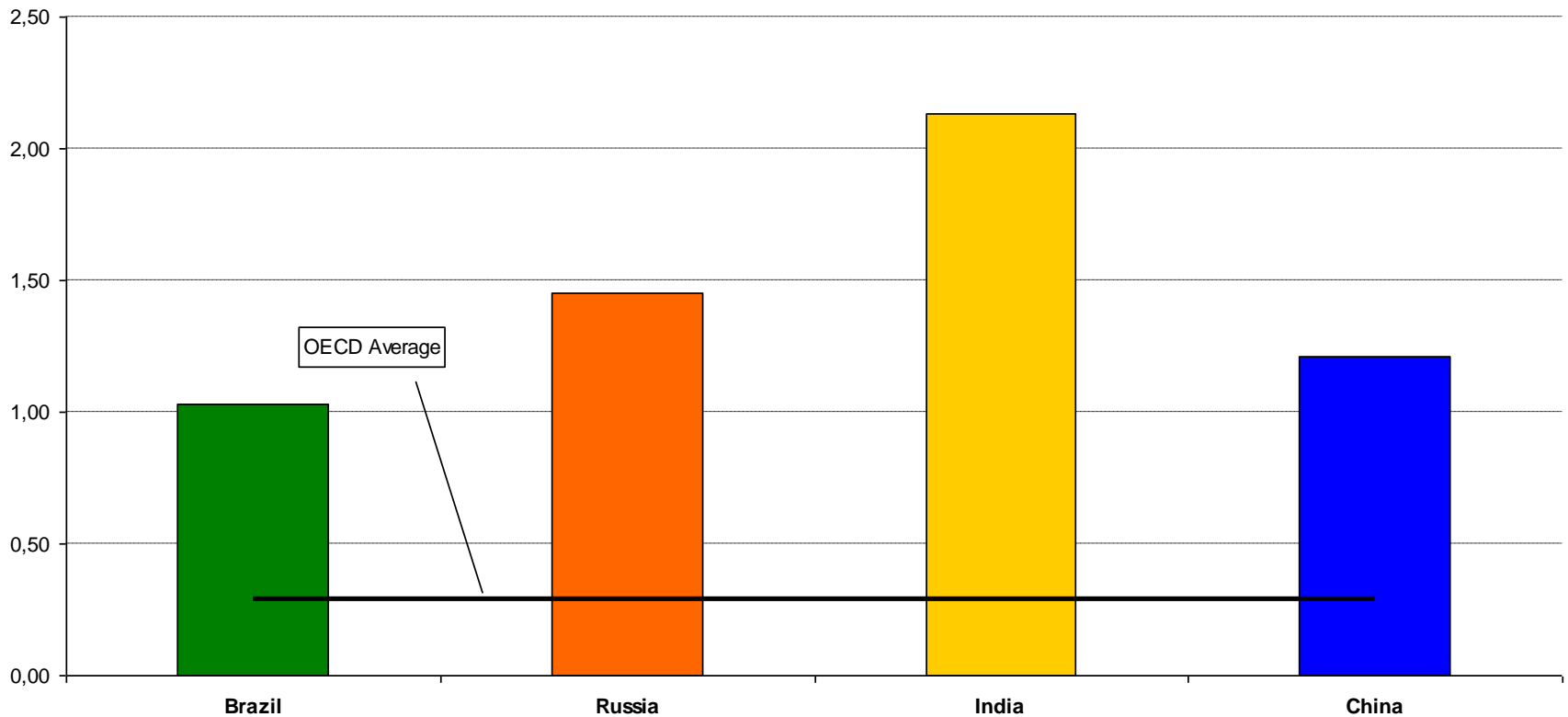
OECD Trade Restrictiveness Index for BRIICS in Mobile Telecom



OECD (2007), Modal Estimates of Services Barriers, OECD Trade Policy Working Paper No. 51, pp. 23-27

OECD Trade Restrictiveness Index for BRIICS in *Distribution*

OECD Trade Restrictiveness Index for BRIICS in Distribution



World Ranking in Ease of Doing Business (2007)

	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	4	24	1	10	7	5	76	15	8	18
Singapore	1	9	5	1	13	7	2	2	1	4	2
Hong Kong	4	13	60	23	58	2	3	3	3	1	15
Japan	12	44	32	17	48	13	12	105	18	21	1
Brazil	113	120	95	116	109	80	62	139	70	112	136
Russia	112	45	172	102	44	156	81	126	155	19	81
India	120	111	134	85	112	36	33	165	79	177	137
Indonesia	123	168	99	153	121	68	51	110	41	141	136
China	83	135	175	86	29	84	83	168	42	20	57
South Africa	35	53	45	91	76	26	9	61	134	85	68

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 Databas: <http://www.doingbusiness.org>

Indicators for Trading Across Borders (2007)

	Ease of Trading Across Borders (World Ranking)	Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)
OECD	-	4.5	9.8	905	5	10.4	986
US	15	4	6	960	5	5	1,16
Singapore	1	4	5	416	4	3	367
Hong Kong	3	4	6	525	4	5	525
Japan	18	4	10	989	5	11	1,047
Brazil	70	8	18	1090	7	22	1240
Russia	155	8	36	2050	13	36	2050
India	79	8	18	820	9	21	910
Indonesia	41	5	21	667	6	27	623
China	42	7	21	390	6	24	430
South Africa	134	8	30	1,087	9	35	1,195

Note: The costs and procedures involved in importing and exporting a standardized shipment of goods are detailed under this topic. Every official procedure involved is recorded – starting from the final contractual agreement between the two parties, and ending with the delivery of the goods.

Source: The World Bank Doing Business Database: <http://www.doingbusiness.org>

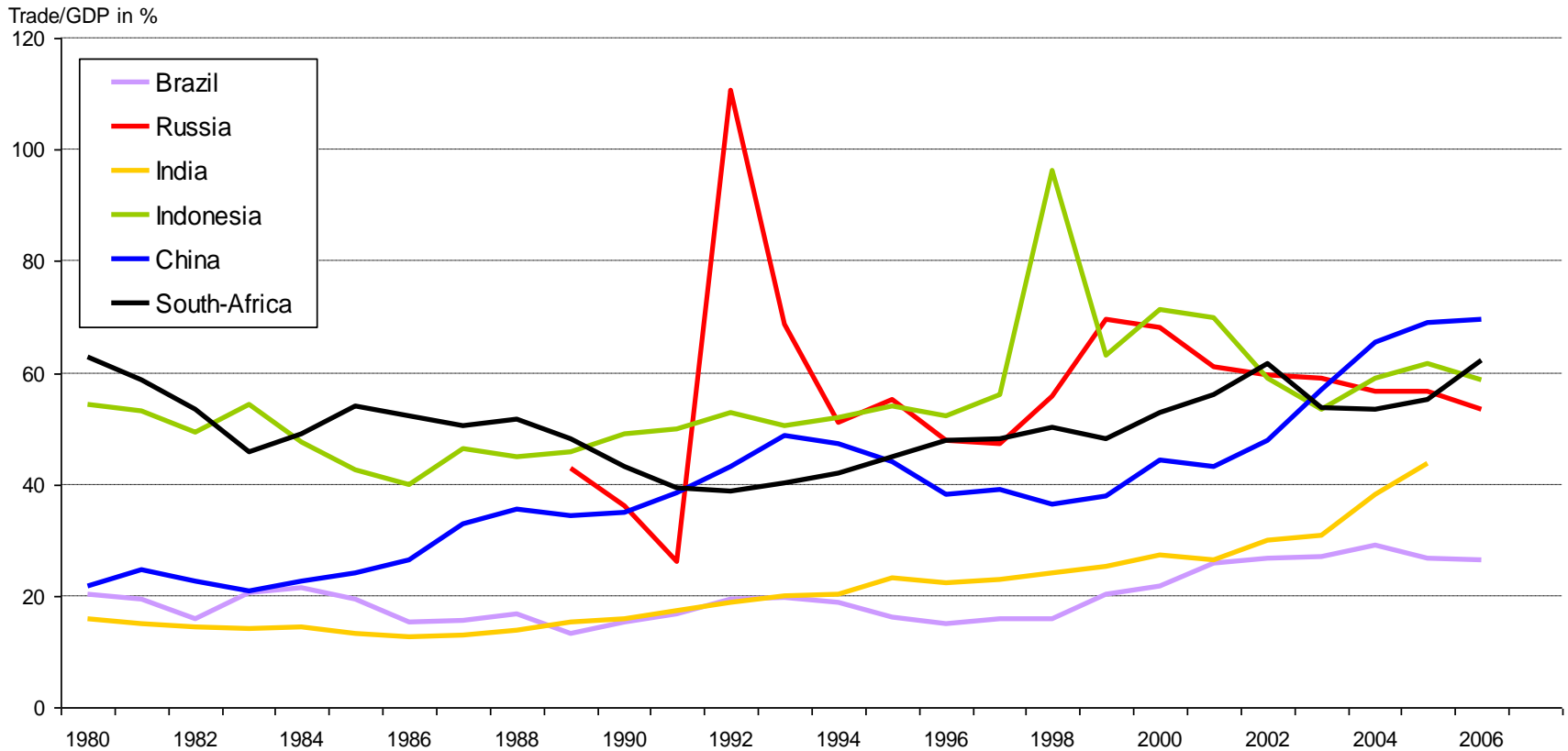
Percentile world rank of governance indicators for BRIIC (Governance Matters 2007)

	Voice and Accountability	Political Stability/ No Violence	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
OECD	90.6	76.4	90.0	89.6	90.0	90.2
US	83.7	57.7	92.9	93.7	91.9	89.3
Singapore	46.6	94.7	99.5	99.5	95.2	98.1
Hong Kong	64.9	88.9	93.8	100.0	90.5	92.7
Japan	75.5	85.1	88.2	87.3	90.0	90.3
Brazil	58.7	43.3	52.1	54.1	41.4	47.1
Russia	24.0	23.6	37.9	33.7	19.0	24.3
India	58.2	22.1	54.0	48.3	57.1	52.9
Indonesia	41.3	14.9	40.8	43.4	23.3	23.3
China	4.8	33.2	55.5	46.3	45.2	37.9
South Africa	67.3	44.2	76.8	70.2	58.6	70.9

Note: Percentile rank indicates the percentage of countries worldwide that rate below the country (subject to margin of error). Higher values indicate better governance ratings. Percentile ranks have been adjusted to account for changes over time in the set of countries covered by the governance indicators.

Trade in *Goods and Services* / GDP in percentages for BRICS (1980-2006)

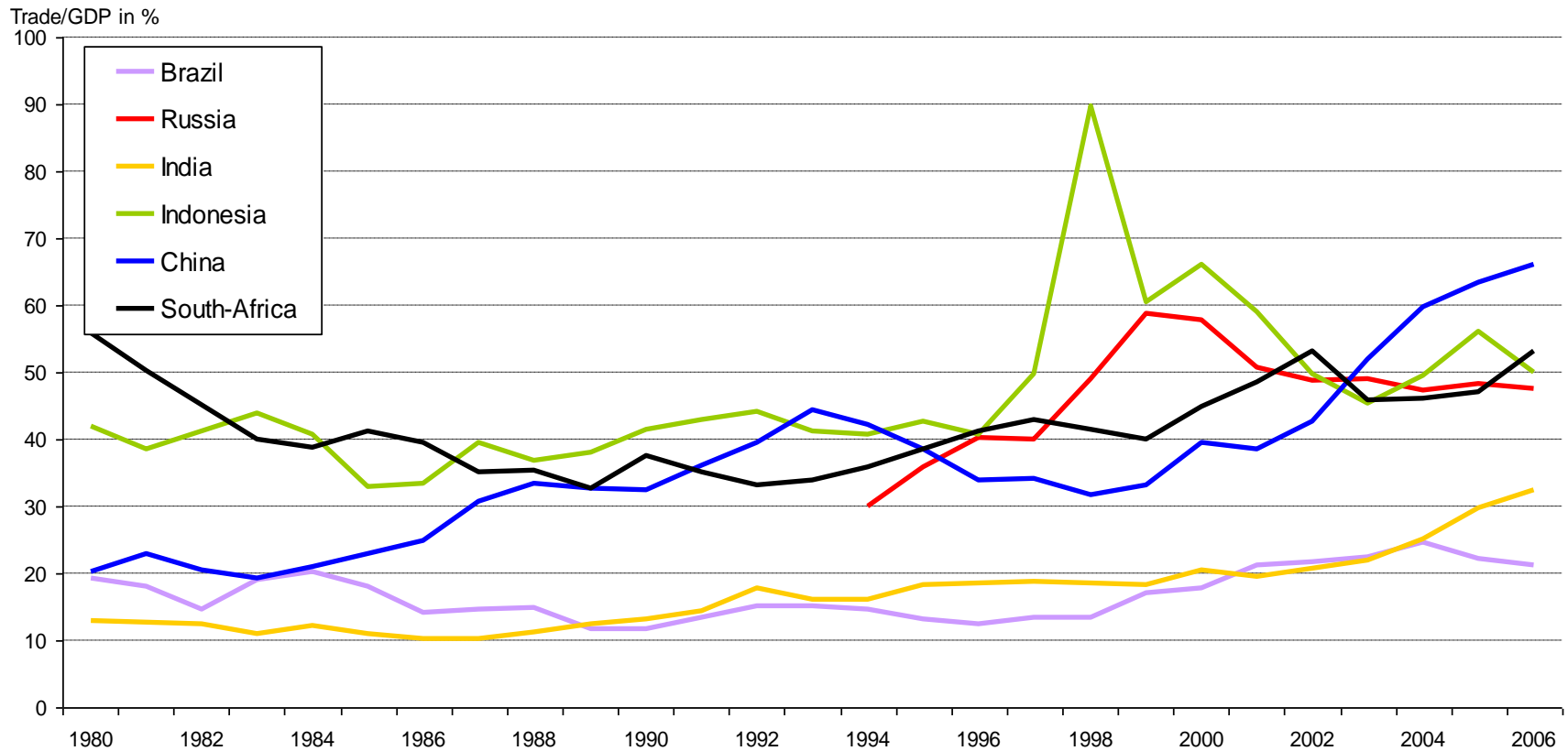
Trade (Goods & Services)/ GDP in % for BRICS (1980-2006)



Source: World Bank World Development Indicators (WDI)

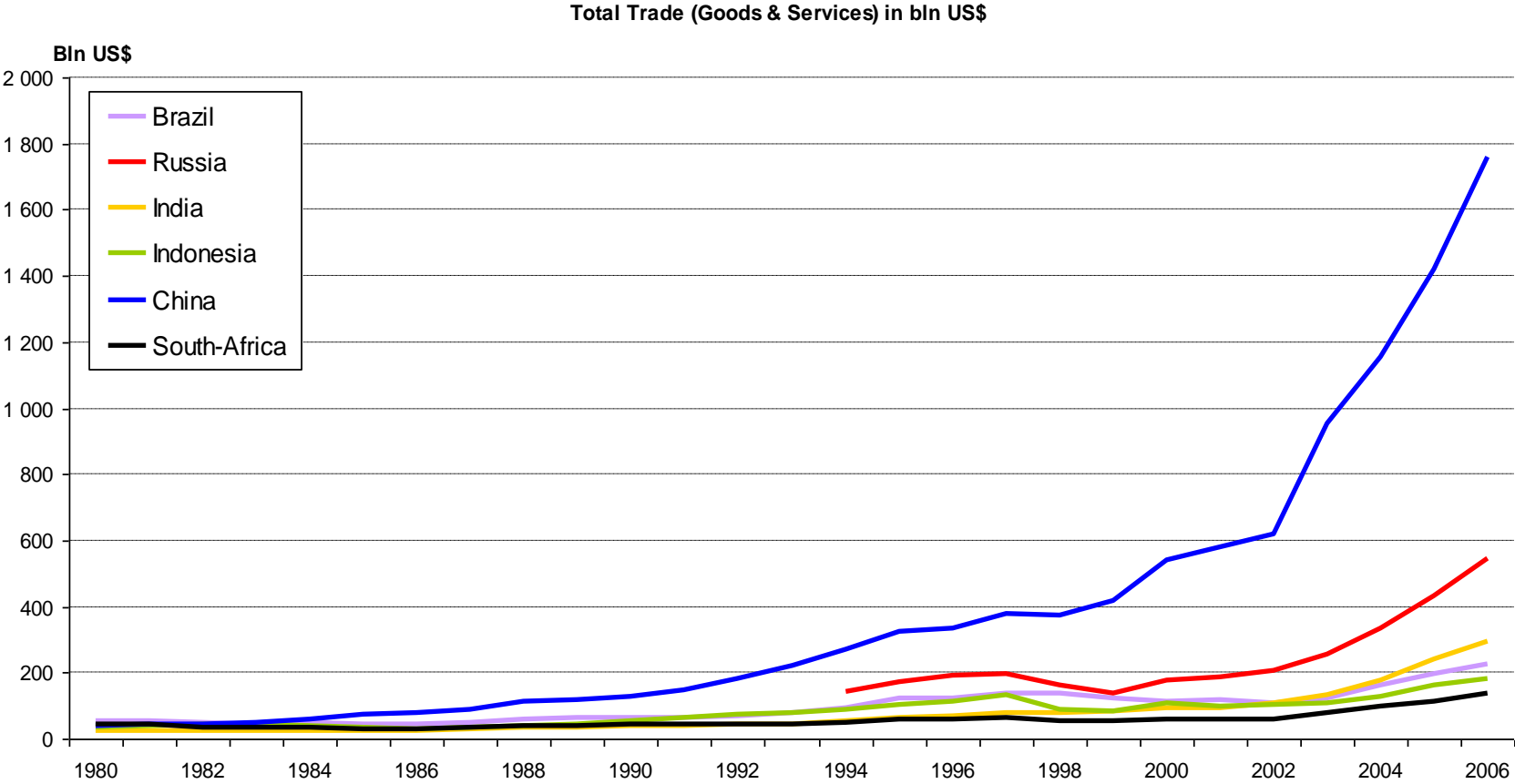
Trade in *Goods* / GDP in percentages for BRIICS (1980-2006)

Trade (Goods)/ GDP in % for BRIICS (1980-2006)



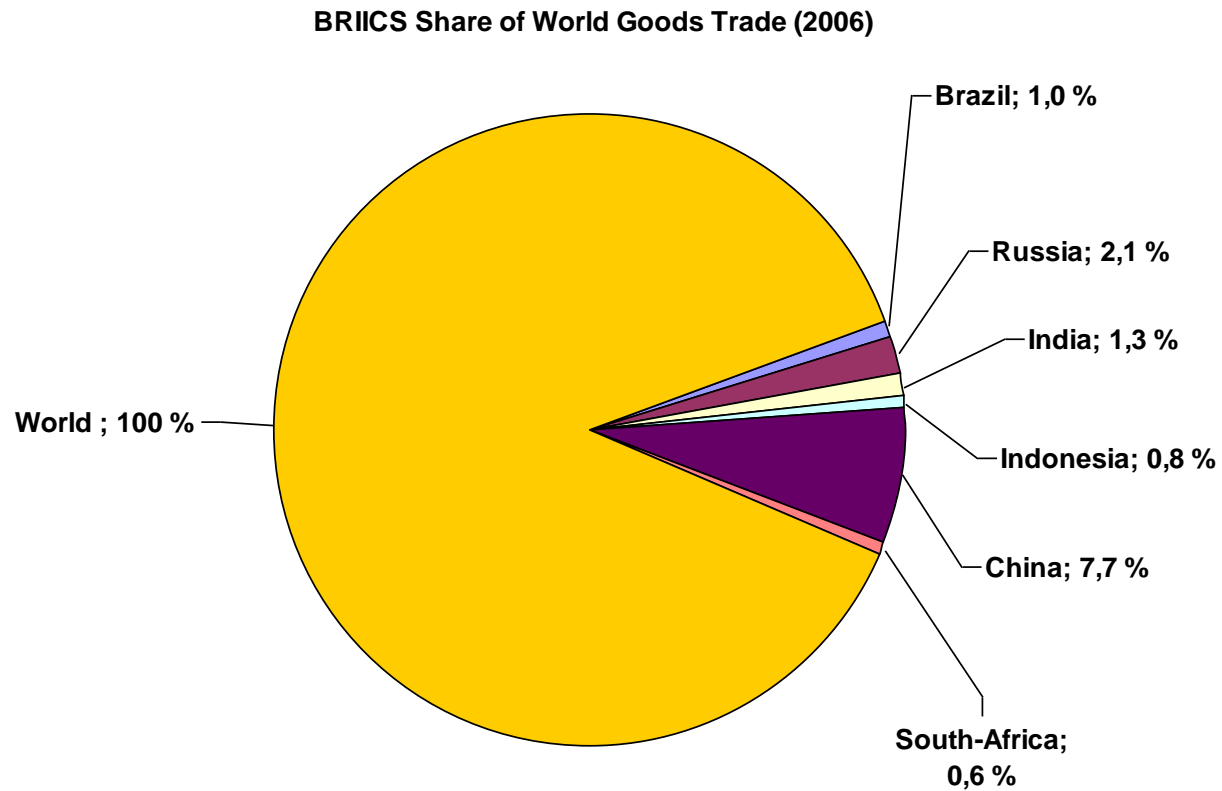
Source: World Bank World Development Indicators (WDI)

Total Trade (*Goods and Services*) in bln US\$ for BRIICS (1980-2006)



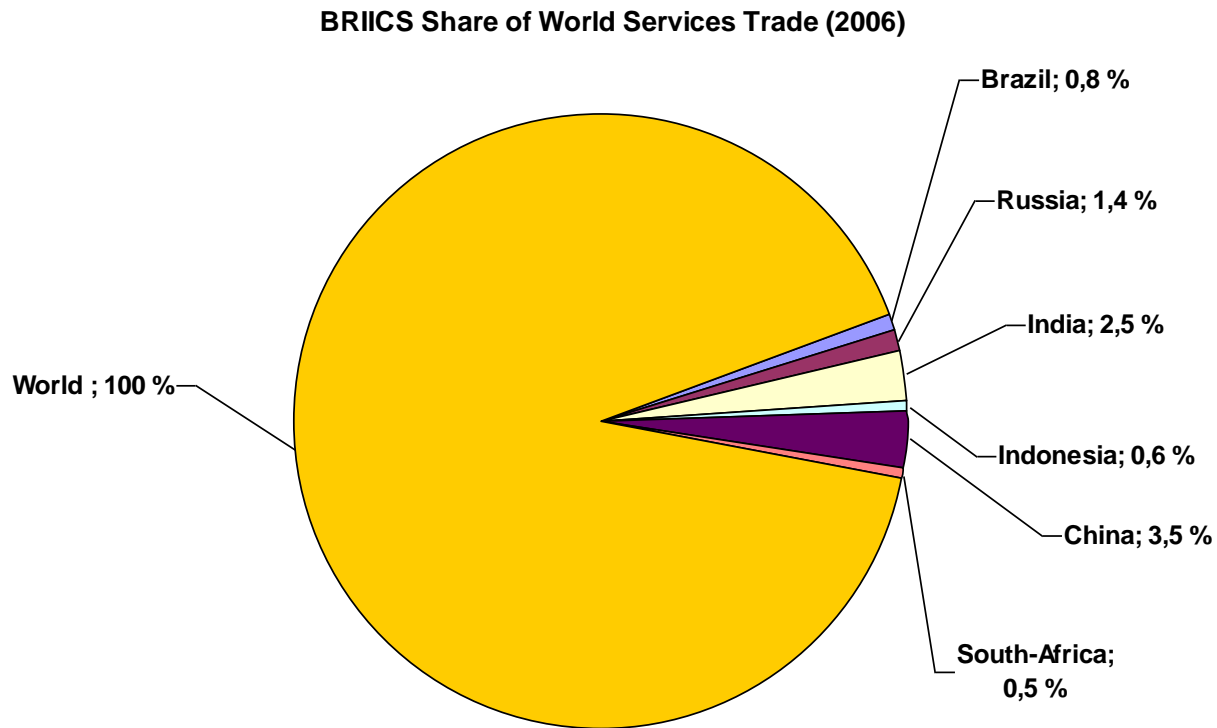
Source: World Bank World Development Indicators (WDI)

BRIICS Share in Global Trade in Goods (2006)



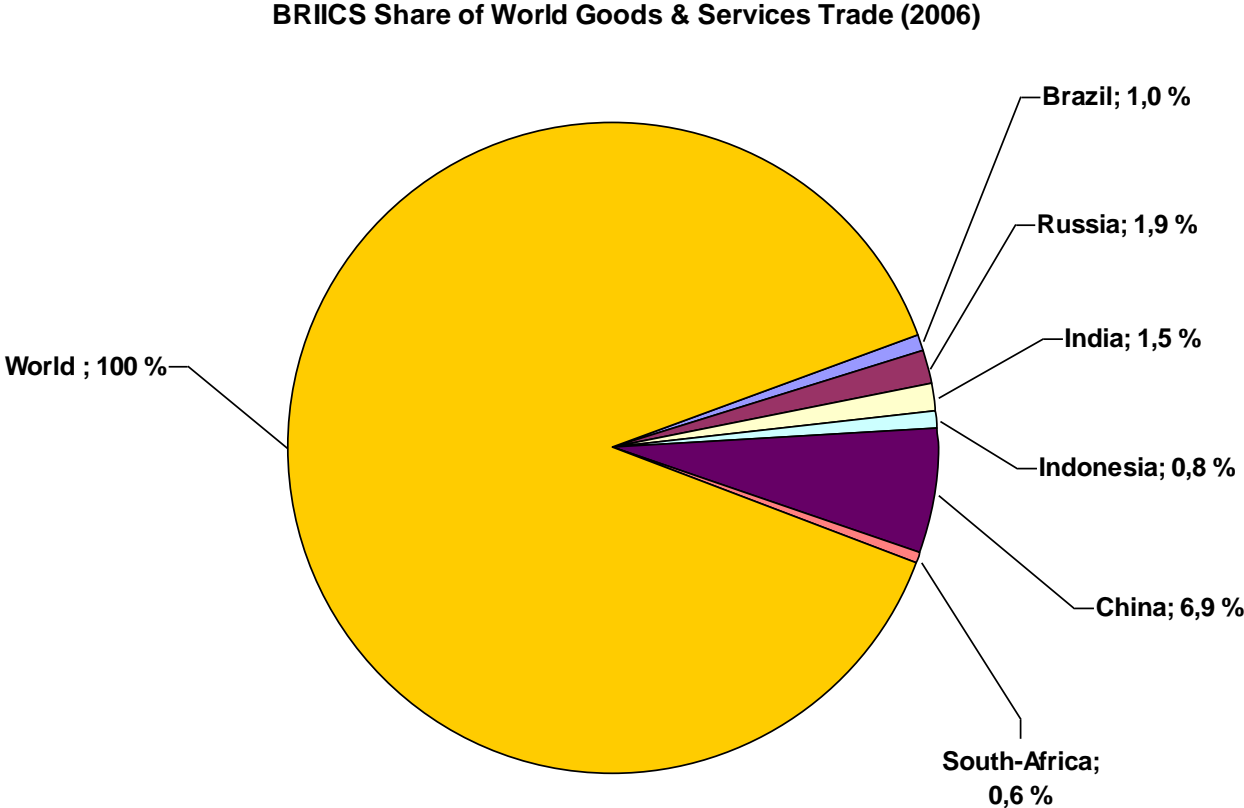
Note: Data including intra EU25 trade
Source: WTO Statistics

BRIICS Share in Global Trade in *Services* (2006)



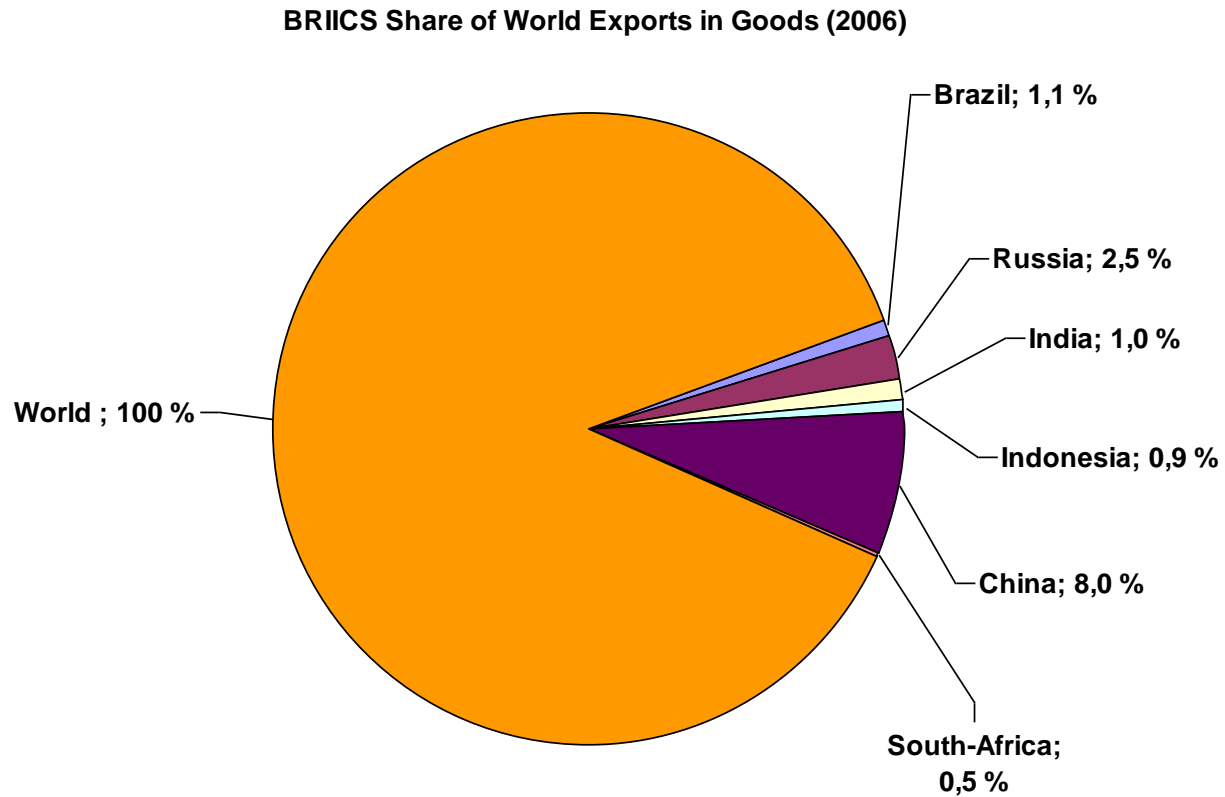
Note: Data including intra EU25 trade
Source: WTO Statistics

BRIICS Share in Global Trade in *Goods and Services* (2006)



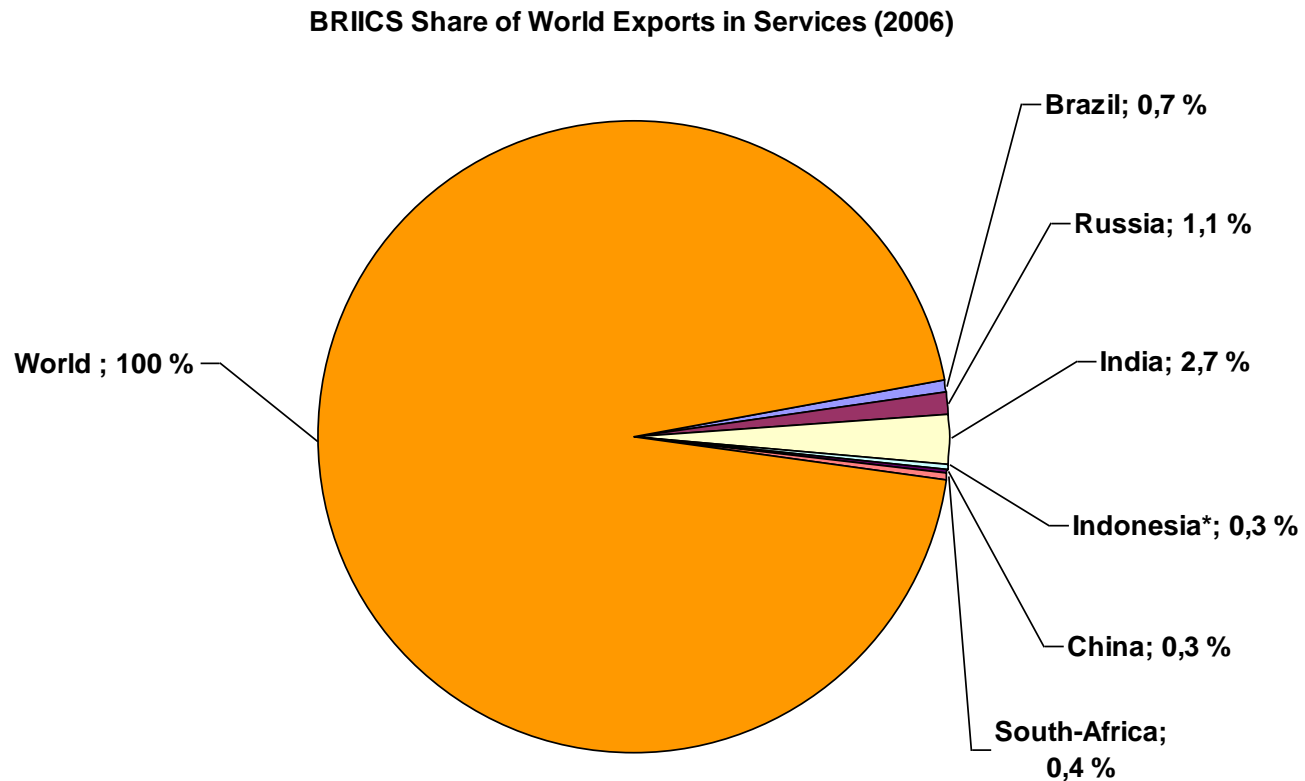
Note: Data including intra EU25 trade
Source: WTO Statistics

BRIICS Share in Global Exports in Goods (2006)



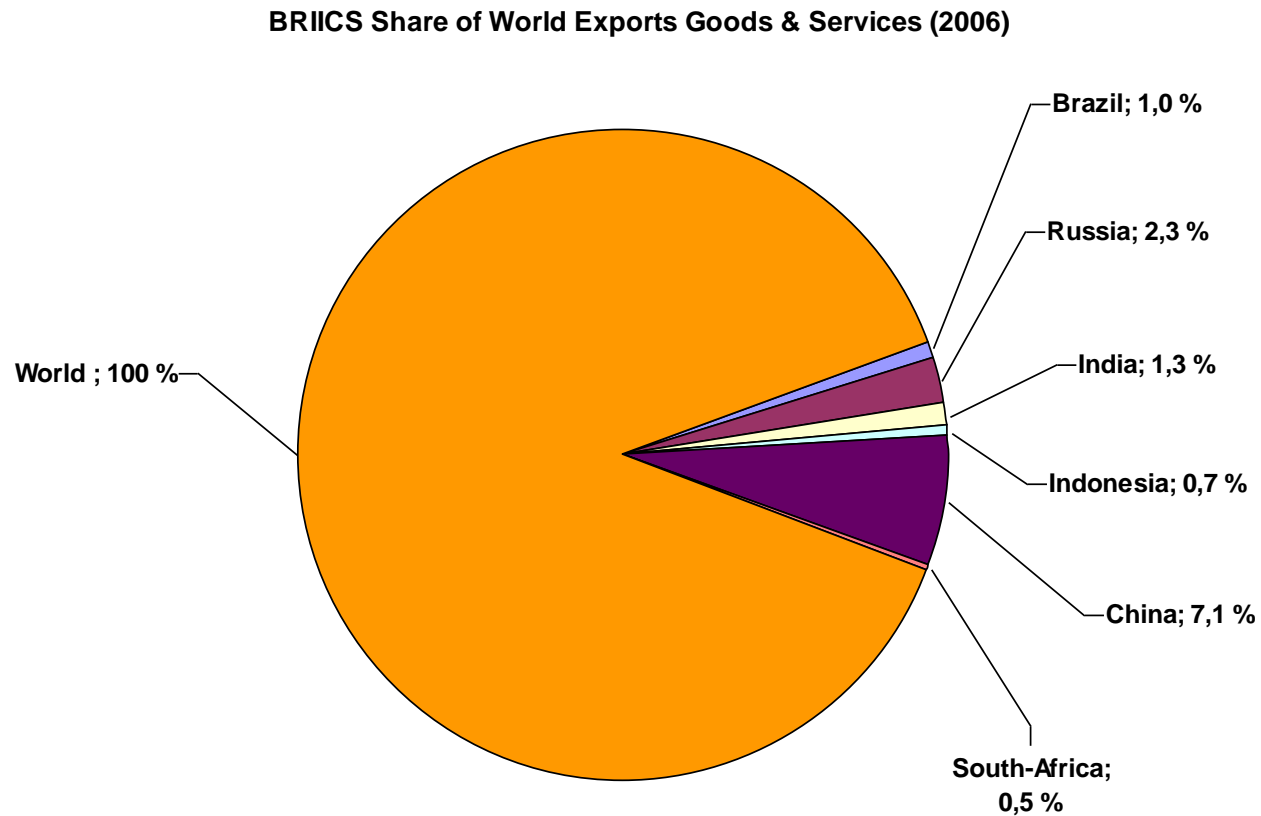
Note: Data including intra EU25 trade
Source: WTO Statistics

BRIICS Share in Global Exports in *Services* (2006)



Note: Data including intra EU25 trade
Source: WTO Statistics

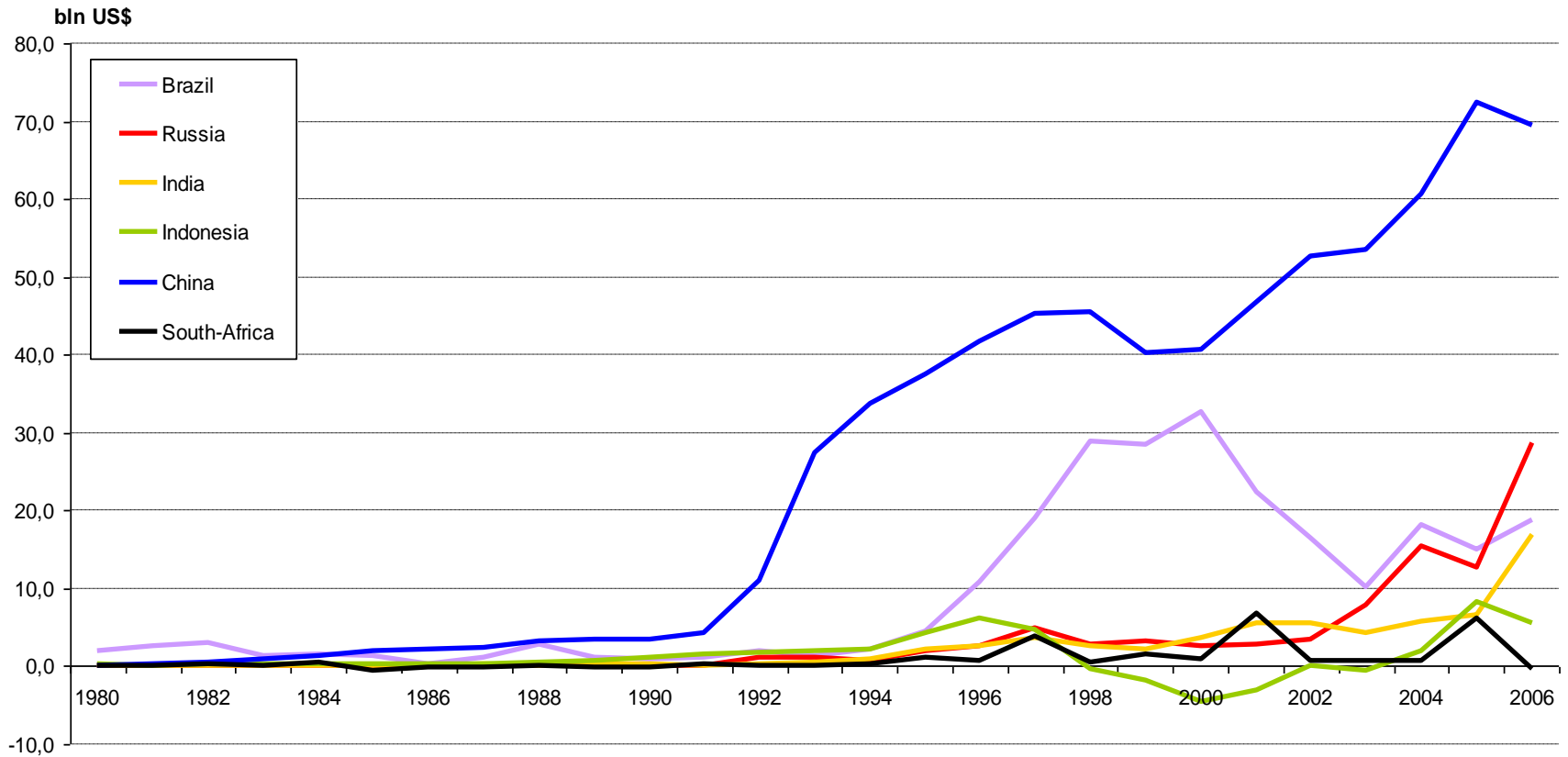
BRIICS Share in Global Exports in *Goods and Services* (2006)



Note: Data including intra EU25 trade
Source: WTO Statistics

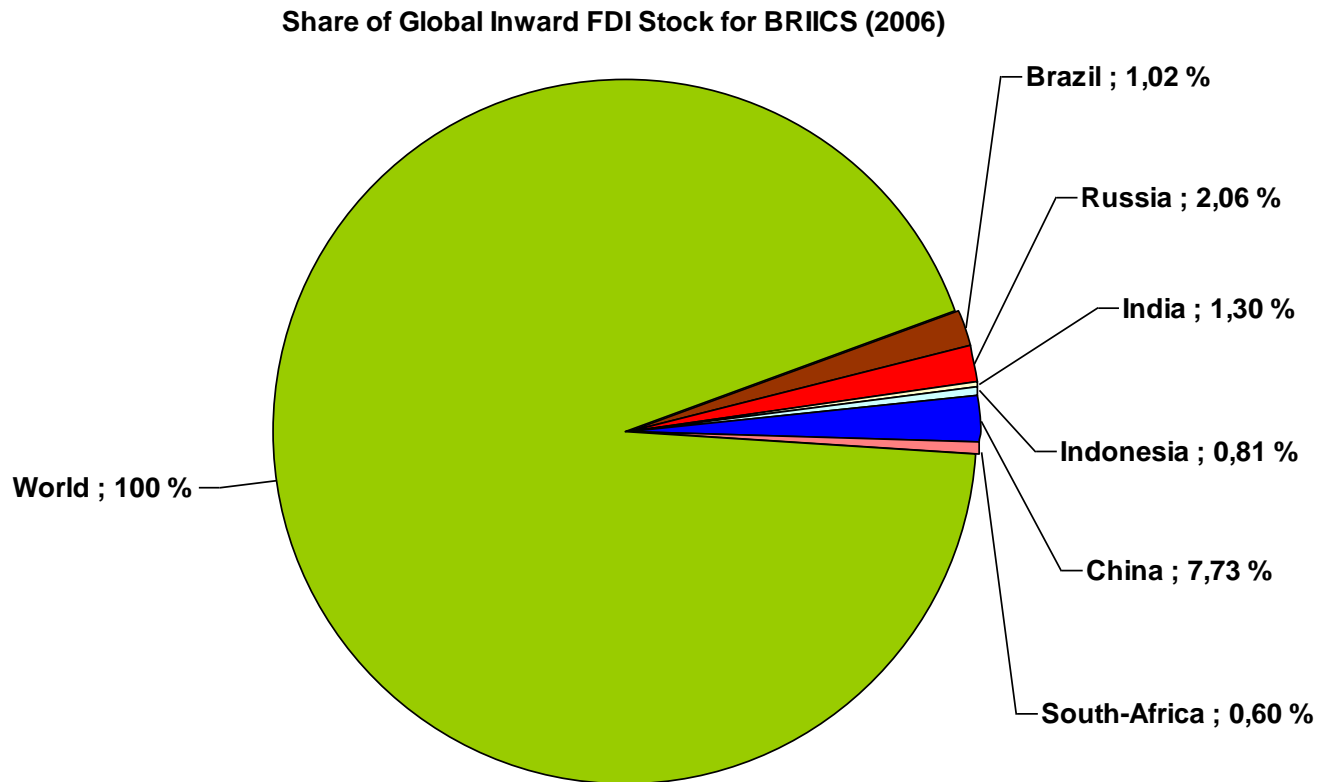
Inward FDI flows for BRIICS in bln US\$ (1980-2006)

Inward FDI Flow for BRIICS in bln US\$ (1980-2006)



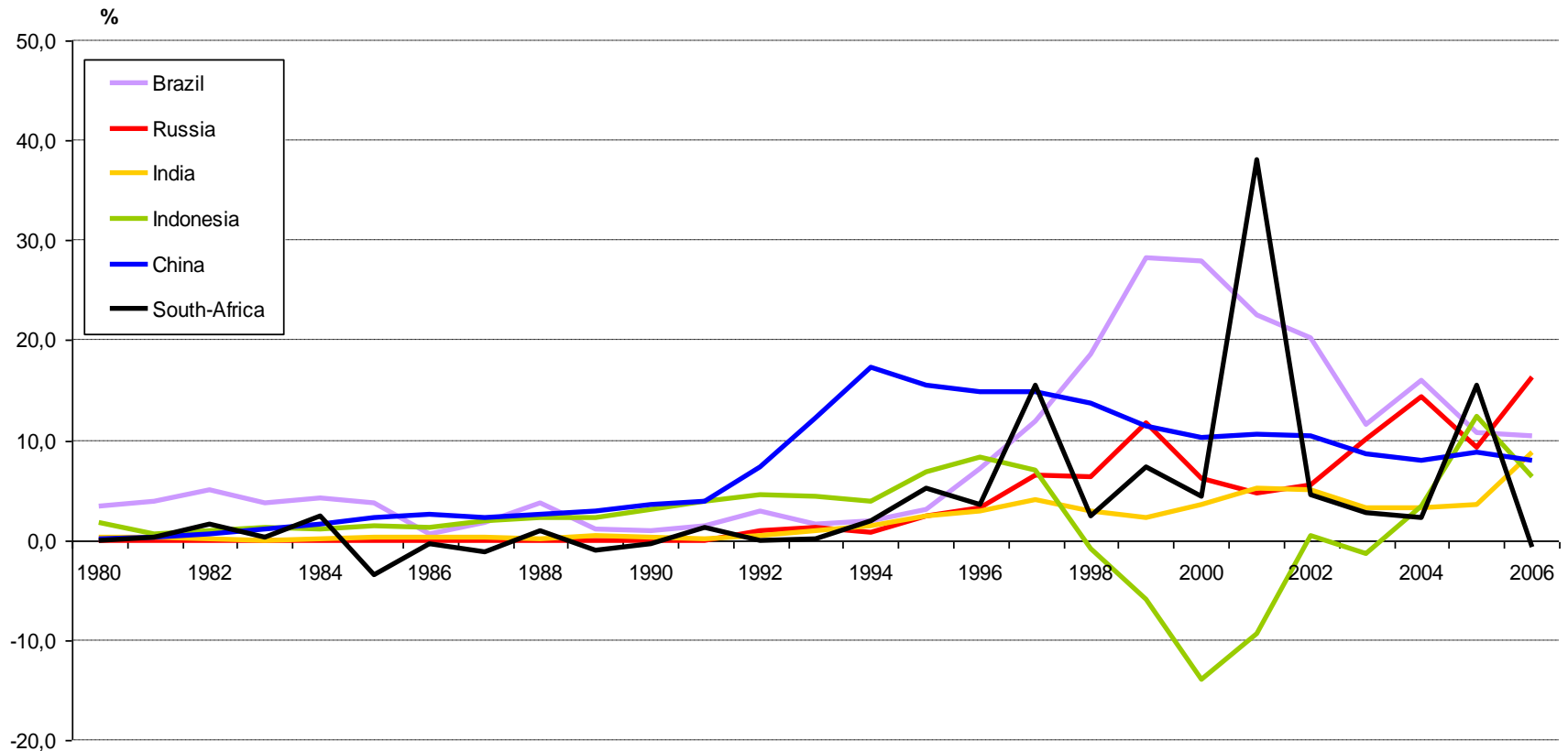
Source: UNCTAD World Investment Report (WIR): <http://www.unctad.org/Templates/Page.asp?intItemID=3277&lang=1>

Share of Global *Inward FDI Stock* for BRIICS in percentage shares (2006)



Inward FDI flows for BRIICS as % of Gross Domestic Fixed Capital Formation (1980-2006)

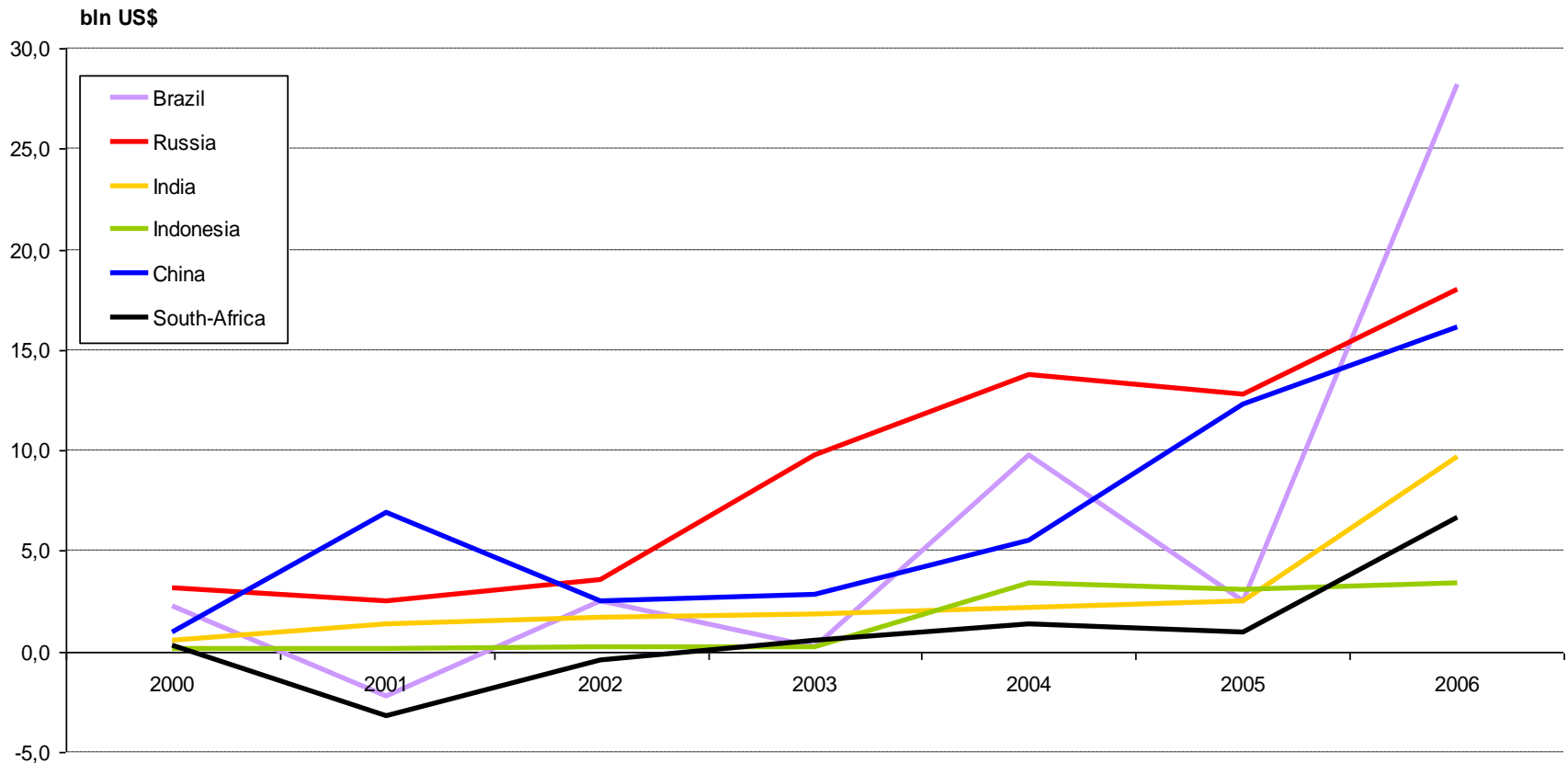
IFDI Flow BRIICS as % of Gross Domestic Fixed Capital Formation (1980-2006)



Source: UNCTAD World Investment Report (WIR): <http://www.unctad.org/Templates/Page.asp?intItemID=3277&lang=1>

Outward FDI flows from BRIICS in bln US\$ (2000-2006)

OFDI Flow for BRIICS in bln US\$ (2000-2006)



Source: UNCTAD World Investment Report (WIR): <http://www.unctad.org/Templates/Page.asp?intItemID=3277&lang=1>

GLOBALISATION / BRIICS TRADE POLICY

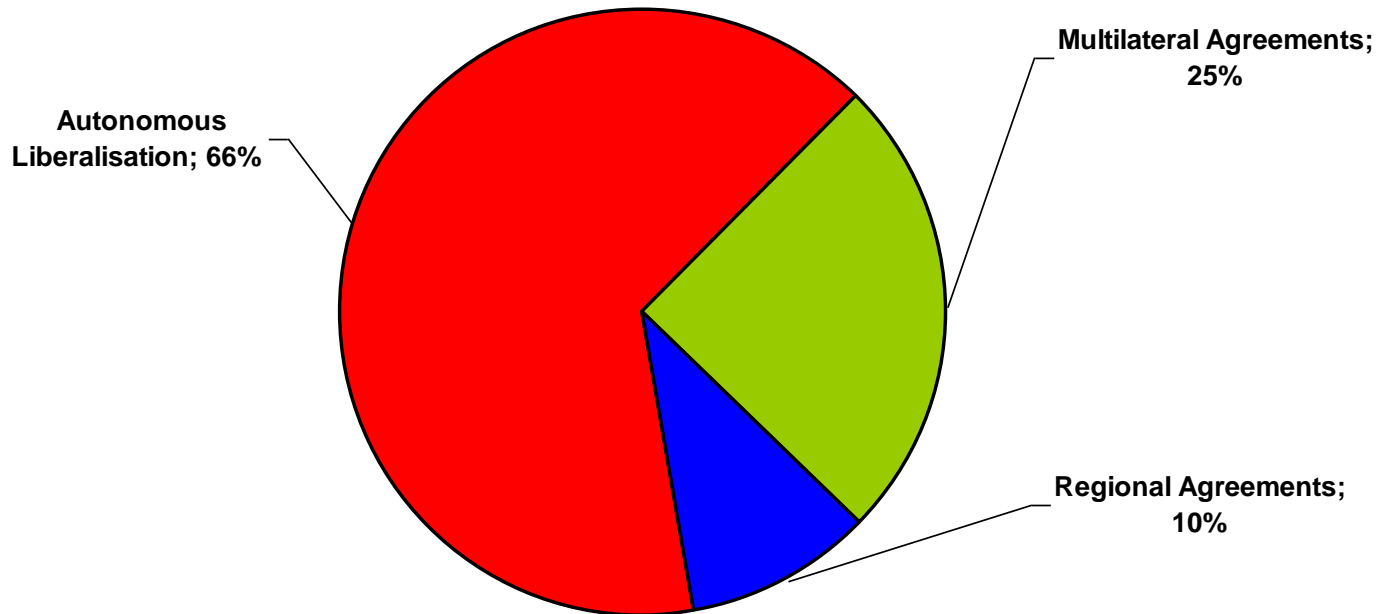
- **Political economy of trade-policy reform**
 - Distribution as well as wealth generation
 - Circumstances/crises
 - Country size
 - Interest groups (also party politics/popular support)
 - Ideas
 - Institutions
 - Factor endowments
 - Foreign policy/international politics
 - Preliminary summary

GLOBALISATION / BRIICS TRADE POLICY

- **Multi-track trade policy**
 - Unilateral liberalisation
 - Multilateral liberalisation (GATT/WTO)
 - Bilateral/regional liberalisation (CUs and FTAs)
 - Role of donors
 - Preliminary summary

Share of total tariff reduction, by type of liberalization (1983–2003)

Share of Total Tariff Reduction, by Type of Liberalisation (1983-2003)



Recently Established or Proposed RTAs/CEPAs by *Brazil* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
Mercosur	RTA	Agreement (weakly) in force
ANDEAN	FTA	Signed by Mercosur
Chile	FTA	Signed by Mercosur
Bolivia	FTA	Signed by Mercosur
Peru	FTA	Signed by Mercosur
Egypt	FTA	Framework Agreement signed by Mercosur
South-Africa	FTA	Framework Agreement signed by Mercosur
India	FTA	Framework Agreement signed by Mercosur
Mexico	FTA	Framework Agreement under negotiation by Merosur
EU	FTA	Under negotiation by Merosur
Caricom	FTA	Under discussion
ALADI	RTA	Agreement in force
FTAA	RTA	Faltered
Japan	FTA	Under study

Source: Chaire MERCOSUR, Science Po Paris, WTO TPRs Brazil (2004) and bilaterals.org

Recently Established or Proposed RTAs/CEPAs by *Russia* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
US	WTO Bil. Market Acces Agr.	Under negotiation
South-Korea	FTA	Pilot talks
India	CEPA	Proposed
Pakistan	IA	Agreement signed
Uruguay	FTA	Under negotiation

Source: bilaterals.org

Recently Established or Proposed RTAs/CEPAs by *India* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
Singapore	FTA	Agreement in force
Sri Lanka	FTA	Agreement in force
APTA	FTA	Agreement in force
Bhutan	FTA	Agreement in force
Nepal	FTA	Signed
SAFTA	FTA	Signed
Trinidad & Tobago	BIPA	Signed
CEFTA	FTA	Agreement signed
Thailand	EPA/ FTA	Framework Agreement signed
ASEAN	FTA	Framework Agreement signed
BIMSTEC	FTA	Framework Agreement signed
SACU	FTA	Framework Agreement signed
COMESA	FTA	Framework Agreement signed
MERCOSUR	FTA	Framework Agreement signed

Recently Established or Proposed RTAs/CEPAs by *India* (2000-2007)

GCC	FTA	Framework Agreement signed
Afghanistan	PTA	PTA signed
Chile	PTA	PTA signed
Russia	CEPA	Proposed
USA	FTA	Proposed
China	BIPA & FTA	Proposed
Brazil	FTA	Under negotiation
Korea	FTA & CEPA	Under negotiation
Mauritius	CEPA	Under negotiation
Japan	EPA/ FTA	Under negotiation
Indonesia	EPA/ FTA	Under negotiation
Australia	EPA/ FTA	Under negotiation
Egypt	PTA	Under negotiation
EU	FTA	Negotiation planned
EFTA	FTA	Under study
Malaysia	FTA	Under study

Recently Established or Proposed RTAs/CEPAs by *Indonesia* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
ASEAN	FTA	Agreement in force
CER	FTA	Framework Agreement signed with ASEAN
China	EPA/ FTA	Framework Agreement signed with ASEAN
Japan	EPA/ FTA	Under negotiation with ASEAN
Korea	FTA	Under negotiation with ASEAN
Inda	FTA	Under negotiation with ASEAN
USA	TIFA	Under negotiation with ASEAN
EU	FTA	Under negotiation with ASEAN
Japan	EPA/ FTA	EHP
USA	FTA	Proposed
Pakistan	FTA	Under study
India	FTA	Under study
Japan	EPA/ FTA	Under discussion
Australia	FTA	Proposed
New Zealand	FTA	Proposed

Recently Established or Proposed RTAs/CEPAs by *China* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
Pakistan	FTA	Agreement signed
ASEAN	EPA/ FTA	Framework Agreement signed
Singapore	FTA	Under negotiation
Thailand	<i>PTA</i>	Agreement in force
India	BIPA & FTA	Proposed
Australia	FTA	Under negotiation
New Zealand	FTA	Under negotiation
Macao	EPA/ FTA	Agreement in force
Hong Hong	EPA/ FTA	Agreement in force
Chile	FTA	Agreement in force
SACU	FTA	Proposed
GCC	FTA	Under negotiation
Iceland	FTA	Proposed
Korea	FTA	Under study
Japan	FTA	Proposed
Peru	FTA	Proposed
Norway	FTA	Proposed

Recently Established or Proposed RTAs/CEPAs by *South Africa* (2000-2007)

Trading Partners	Nature of Agreement	Status of Agreement 2007
SACU	RTA	Agreement in force
European Union	EPA/ FTA	Agreement in force with SACU
India	FTA	Under Negotiations with SACU
Mercosur	FTA	Framework Agreement Signed
SADC	PTA	Agreement signed
Nigeria	FTA	Proposed
Zimbabwe	FTA	Agreement in force (1990)
Malawi	PTA	Agreement in force (1968)

Source: SAIIA and WTO TPR (2003)

GLOBALISATION / BRIICS TRADE POLICY

- **What lessons for future liberalisation?**
 - More difficult climate for reforms, but further reforms necessary
 - “First-division” countries (“new globalisers” – including BRIICS): 1st and esp. 2nd generation reforms needed:
 - a) Better link between trade policy and domestic economic policy/institutions
 - b) Emphasis on unilateral reforms, less on trade negotiations
 - c) Transparency and simplicity

GLOBALISATION / BRIICS TRADE POLICY

- Lower-division reformers: Emphasise simpler reforms; what to do with failed/failing states?
- Better prospects for labour-abundant countries; resource-abundant countries doubly challenged

GLOBALISATION / BRIICS TRADE POLICY

- **Other questions:**
 - How to sequence trade policy with other policy reforms, e.g. macroeconomic policy?
 - What role for industrial policy?
 - What about social policy and safety nets?