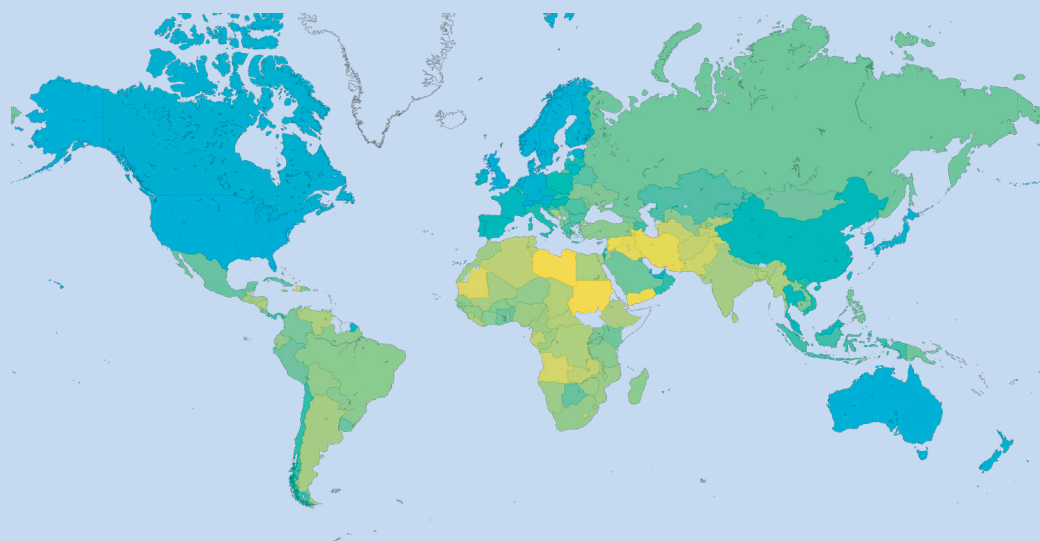


This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2021

The Global Trade Alert (GTA) indicators of state intervention in the economy: Many culprits, many victims, and an ever-increasing problem?

Prof. Dr. Patrick Ziltener, University of Zurich, Switzerland



Cite as:

Ziltener, P. (2021). The Global Trade Alert (GTA) indicators of state intervention in the economy: Many culprits, many victims, and an ever-increasing problem? In T. Casas i Klett & G. Cozzi. (Eds.), *Elite Quality Report 2021: Country Scores and Global Rankings*. Zurich: Seismo. doi: 10.33058/seismo.30810

Published by Seismo Press AG, Zurich and Geneva in partnership with the Foundation for Value Creation.

©2021 the Foundation for Value Creation, St.Gallen, Switzerland, distributed under the terms and conditions of the Creative Commons license CC BY-NC-ND (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

4.2 Indicator Scorecards

The Global Trade Alert (GTA) Indicators of state intervention in the economy: Many culprits, many victims, and an ever-increasing problem?

Do we live in a time characterized by an ever-increasing level of state intervention in the economy? Based on a comprehensive and constantly updated dataset, the Global Trade Alert (GTA) initiative has, since November 2008, documented an increase in the number of state interventions almost every year. This has been especially pronounced since 2017, the year that the American trade and tech war against China started in earnest. Interestingly, though about one third of state interventions are trade-protective measures, there are also a significant number of export-related measures, subsidies and tariffs, as well as trade-related investment measures. Overall, the global number of harmful interventions decreased slightly, from 522 to 492, but this was also the case, and to an even greater extent, for documented measures of liberalization which fell from 227 to 147 (GTA, 2021).

Share of imports targeted by protectionist measures (IPM)

An annual analysis of the level of state interventions is of great importance. The GTA provides the most up to date information on state measures that have been taken during the current global economic downturn that discriminate against foreign commerce. This is reported as the *Share of imports targeted by protectionist measures* (IPM, iv.10) implemented since 1 November 2008, which are currently in force. The assumption (or the prejudice) is that the elites of highly developed countries are liberalizing proponents of free trade, while poorer countries tend to be more protectionist in their outlook. However, the results presented in the IPM Indicator scorecard show that this assumption is wrong. In 2020, among the countries with a very low level of discrimination against foreign commerce we find Switzerland and Singapore, but also Afghanistan and Albania, Laos and Cambodia in South East Asia, as well as 34 African countries (all jointly rank # 1). Many emerging market economies are in the middle range, such as Thailand (rank # 92), Malaysia (rank # 102), Mexico (rank # 109), Indonesia (rank # 113), and China (rank # 121).

How did China fare in the tumultuous pandemic-afflicted years of 2020 and 2021? If we analyze the raw data of the GTA project for context we discover that China was the country most affected by the measures taken by others. These were both liberalizing (465) as well as – in record numbers – harmful and discriminatory interventions (1499).

Regarding liberalization measures (identified by the GTA but not covered at present by EQx Indicators), the best performers were Brazil, followed by Russia, India, the US, China, and Indonesia. In terms of harmful measures (also not covered at present by EQx Indicators) the worst performer was, not surprisingly, the US Trump Administration (GTA, 2021). Returning to the IPM Indicator, the group of worst performers consists of Turkey, Saudi Arabia, Russia, Brazil, Argentina, as well as the South Asian countries of Pakistan, Sri Lanka, and India (all of these countries jointly rank last at # 141). Obviously, protectionism is an element of economic policy, which also seems connected to the size of the domestic market.

We also note that there are a number of OECD countries in the middle range of the IPM rankings, in places that one would not usually associate with protectionist policies: Germany (rank # 125), Denmark (rank # 106), the Netherlands (rank # 103), Finland (rank # 99), and Israel (rank # 110). As a side note, Germany is, after China, the second most affected country both by liberalizing (419) and harmful measures (929) (GTA, 2021). Overall, protectionism seems to be a strategy employed by certain highly developed and emerging market economies, especially those with large domestic markets.

Share of discriminatory government interventions as % of total interventions (DGI)

It is no surprise that countries that don't target imports with protectionist measures also introduce no (or very few) new discriminatory interventions. The DGI Indicator (iv.10) measures the *Share of discriminatory government interventions as % of total interventions*, that is, it depicts newly introduced discriminatory government interventions as a share of the total newly introduced interventions, rather than the general level of discriminatory government interventions, in a country. So, what are the countries with the highest number of newly introduced discriminatory government interventions? The worst performing group consists of an African cluster (Tunisia, Sudan, Mozambique, Libya, Kenya, Gambia, Ethiopia, Cameroon), a Near East cluster (Oman, Lebanon, Kuwait, Jordan, Iraq, Bahrain) as well as Tajikistan and Moldova (all rank # 131). However, other African countries: Mali, Mauritania, Niger, Togo and Yemen score extremely positively for this Indicator (all rank # 1). The reason for this apparent anomaly might be the lack of state ca-



Sub-Index (L2)	Value
Index Area (L2)	Economic Value
Pillar (L3)	Producer Value
Indicator Code (L4)	iv.10_IPM
Indicator weight (in EQx)	1.7%
Indicator weight (in Pillar)	13.3%
Countries covered	148
Year of inclusion in EQx	2021
Conceptual optimum	-1
Year Used	2020
Data Source	SIAW Insitute, University of St. Gallen, The Global Trade Alert

Description

This Indicator represents a flow statistic. That is, it depicts the share of imports targeted by protectionist measures implemented since 1 November 2008, which are currently in force. It is calculated based on data by the Global Trade Alert.

Rationale

The main assumption is that protectionism favors existing domestic business activities and therefore shields domestic producer elite business models from competitive foreign trade. However, a counter argument highlights the benefits of protecting infant industries. Hence, further research might be needed to reflect both arguments in a balanced fashion. In the EQx2021, the higher the share of imports that are targeted by protectionist measures, the lower the level of Value Creation.

Rank /148	Country	Score	Rank /148	Country	Score	Rank /148	Country	Score
1	Afghanistan	61	1	Serbia	61	101	Lithuania	57
1	Angola	61	1	Syrian Arab Republic	61	102	Malaysia	57
1	Albania	61	1	Chad	61	103	Netherlands	57
1	Azerbaijan	61	1	Togo	61	104	Greece	57
1	Burundi	61	1	Tajikistan	61	105	Morocco	55
1	Benin	61	1	Turkmenistan	61	106	Denmark	55
1	Burkina Faso	61	1	Timor-Leste	61	107	Guatemala	55
1	Bangladesh	61	1	Tunisia	61	108	Namibia	54
1	Bosnia and Herzegovina	61	1	Tanzania	61	109	Mexico	54
1	Bolivia	61	1	Uganda	61	110	Israel	54
1	Central African Republic	61	1	Venezuela, RB	61	111	Honduras	54
1	Switzerland	61	1	Yemen, Rep.	61	112	Uruguay	54
1	Cote d'Ivoire	61	1	Zimbabwe	61	113	Indonesia	53
1	Cameroon	61	64	United Arab Emirates	61	114	Portugal	53
1	Congo, Dem. Rep.	61	65	Zambia	61	115	Belarus	52
1	Congo, Rep.	61	66	Bahrain	61	116	Lesotho	52
1	Cuba	61	67	Kuwait	61	117	Sweden	51
1	Algeria	61	68	Oman	61	118	Botswana	51
1	Ethiopia	61	69	Mauritius	60	119	Canada	50
1	Gabon	61	70	Hungary	60	120	Romania	48
1	Ghana	61	71	Dominican Republic	60	121	China	48
1	Guinea	61	72	Croatia	60	122	Egypt, Arab Rep.	46
1	Gambia, The	61	72	New Zealand	60	123	Czech Republic	46
1	Guinea-Bissau	61	74	Georgia	60	124	Myanmar	43
1	Equatorial Guinea	61	74	North Macedonia	60	125	Germany	42
1	Haiti	61	76	Qatar	60	126	Uzbekistan	37
1	Iraq	61	77	Costa Rica	60	127	Nicaragua	37
1	Jamaica	61	77	Estonia	60	128	Armenia	34
1	Jordan	61	79	Slovenia	60	129	Australia	32
1	Cambodia	61	80	El Salvador	60	130	Slovak Republic	32
1	Lao PDR	61	81	Japan	60	131	United States	32
1	Lebanon	61	82	Austria	60	132	Spain	31
1	Liberia	61	83	Eswatini	60	133	United Kingdom	30
1	Libya	61	84	Belgium	60	134	South Africa	29
1	Madagascar	61	85	Vietnam	60	135	Italy	26
1	Mali	61	86	Cyprus	59	136	Ireland	25
1	Mongolia	61	87	Latvia	59	137	Kazakhstan	17
1	Mozambique	61	88	Bulgaria	59	138	Philippines	14
1	Mauritania	61	89	Colombia	59	139	France	11
1	Malawi	61	90	Norway	59	140	Kyrgyz Republic	3
1	Niger	61	91	Ecuador	59	141	Argentina	0
1	Nepal	61	92	Thailand	58	141	Brazil	0
1	Panama	61	93	Korea, Rep.	58	141	India	0
1	Peru	61	94	Ukraine	58	141	Sri Lanka	0
1	Papua New Guinea	61	95	Iran, Islamic Rep.	58	141	Pakistan	0
1	Paraguay	61	96	Chile	58	141	Russian Federation	0
1	Rwanda	61	97	Poland	58	141	Saudi Arabia	0
1	Senegal	61	98	Kenya	57	141	Turkey	0
1	Singapore	61	99	Finland	57			
1	Sierra Leone	61	100	Nigeria	57			

The Elite Quality Report 2021 (EQx2021) provides Country Scores & Global Rank for 151 countries
 @Foundation for Value Creation 2021

capacity or the absence of elite business models to protect their economies. This means that the EQx Scores for DGI might be the result of a number of factors.

Despite this, it is certainly the case that highly developed countries should not have a high number of newly introduced discriminatory government interventions, yet they do. The culprits include Japan (rank # 130), Canada (rank # 129), and South Korea (rank # 128). Several European countries also belong to this group, including Norway, Spain, Germany, France, Italy, and the UK (rankings between # 127 and # 119). The US is at a similar position (rank # 116). The highly developed country with the least discriminatory policies is Switzerland (rank # 35), followed by a distant New Zealand (rank # 55). Middling levels of discriminatory government interventions are found in China (rank # 59), India (rank # 79) and Russia (Rank # 86) with Brazil the leading BRIC nation (rank # 50). Let us not ignore the other side of the coin: by discriminating against foreign business, local elite business models enjoy a degree of protection, decreasing the overall efficiency of the global economic system. If discriminatory interventions are on the rise, the Value Creation abilities of the global elites to energize the world economy post-COVID will be compromised.

*Prof. Dr. Patrick Ziltener,
University of Zurich, Switzerland*





EQx2021 Indicator Family Scorecard

Share of discriminatory government interventions as % of total interventions

Sub-Index (L2)	Value
Index Area (L2)	Economic Value
Pillar (L3)	Producer Value
Indicator Code (L4)	iv.10_DGI
Indicator weight (in EQx)	1.7%
Indicator weight (in Pillar)	13.3%
Countries covered	146
Year of inclusion in EQx	2021
Conceptual optimum	-1
Year Used	2020
Data Source	SIAW Insitute, University of St. Gallen, The Global Trade Alert

Description

This Indicator represents a flow statistic. That is, it depicts newly introduced discriminatory government interventions as a share of total newly introduced interventions (rather than the general level of discriminatory government interventions) in a country. It is calculated based on data by the Global Trade Alert.

Rationale

The annual flow Indicator Share of discriminatory government interventions as % of total interventions is an important measure of protectionism. Interventions that are discriminatory are part of the Value Extraction business models of domestic elites. Therefore, the lower the level of discriminatory interventions as a share of total interventions, the better, as less value is extracted from domestic businesses and populations. In its current form, the indicator can serve as a proxy measure for the appetite of policymakers for offering wider market access.

Rank / 146	Country	Score	Rank / 146	Country	Score	Rank / 146	Country	Score
1	Afghanistan	89	51	Algeria	54	98	Slovak Republic	34
1	Burundi	89	51	Nigeria	54	102	Czech Republic	33
1	Benin	89	53	Argentina	54	102	Romania	33
1	Burkina Faso	89	54	Chile	53	104	Israel	33
1	Bosnia and Herzegovina	89	55	New Zealand	52	104	Netherlands	33
1	Central African Republic	89	56	United Arab Emirates	51	104	Uzbekistan	33
1	Congo, Dem. Rep.	89	57	Pakistan	50	107	Denmark	33
1	Congo, Rep.	89	58	Kazakhstan	49	108	Ecuador	32
1	Cuba	89	59	China	49	108	Iran, Islamic Rep.	32
1	Gabon	89	60	Vietnam	49	110	Greece	31
1	Ghana	89	61	Morocco	47	110	Sweden	31
1	Guinea	89	62	Sri Lanka	46	112	Belgium	31
1	Guinea-Bissau	89	63	Colombia	45	113	Portugal	30
1	Haiti	89	64	Bangladesh	44	114	Saudi Arabia	30
1	Jamaica	89	65	Philippines	44	115	Turkey	30
1	Liberia	89	66	Thailand	43	116	United States	29
1	Madagascar	89	67	Malaysia	43	117	Poland	28
1	Mali	89	68	Albania	42	118	Peru	27
1	Mongolia	89	68	Georgia	42	119	United Kingdom	27
1	Mauritania	89	68	Lesotho	42	119	Italy	27
1	Malawi	89	68	Mexico	42	121	Cambodia	26
1	Niger	89	68	Mauritius	42	122	France	26
1	Nepal	89	68	Namibia	42	123	Egypt, Arab Rep.	25
1	Papua New Guinea	89	68	Nicaragua	42	124	Germany	25
1	Rwanda	89	68	Qatar	42	124	Spain	25
1	Senegal	89	68	Syrian Arab Republic	42	126	Australia	25
1	Sierra Leone	89	68	Zimbabwe	42	127	Norway	25
1	Chad	89	78	Indonesia	41	128	Korea, Rep.	24
1	Togo	89	79	India	40	129	Canada	23
1	Trinidad and Tobago	89	80	Botswana	40	130	Japan	21
1	Tanzania	89	81	Myanmar	38	131	Bahrain	19
1	Uganda	89	82	Costa Rica	37	131	Cameroon	19
1	Venezuela, RB	89	82	Honduras	37	131	Ethiopia	19
1	Yemen, Rep.	89	82	North Macedonia	37	131	Gambia, The	19
35	Switzerland	77	82	Serbia	37	131	Iraq	19
36	Azerbaijan	75	86	Russian Federation	36	131	Jordan	19
37	Dominican Republic	72	87	Croatia	36	131	Kenya	19
38	Uruguay	69	88	Ukraine	35	131	Kuwait	19
39	Angola	66	89	Austria	35	131	Lebanon	19
39	Bolivia	66	89	Ireland	35	131	Libya	19
39	Lao PDR	66	89	Latvia	35	131	Moldova	19
39	El Salvador	66	92	South Africa	35	131	Mozambique	19
43	Guatemala	61	93	Estonia	35	131	Oman	19
43	Paraguay	61	93	Hungary	35	131	Sudan	19
45	Panama	59	93	Singapore	35	131	Tajikistan	19
45	Zambia	59	93	Slovenia	35	131	Tunisia	19
47	Kyrgyz Republic	57	97	Lithuania	34			
48	Armenia	57	98	Bulgaria	34			
49	Belarus	55	98	Cyprus	34			
50	Brazil	55	98	Finland	34			

The Elite Quality Report 2021 (EQx2021) provides Country Scores & Global Rank for 151 countries
 @Foundation for Value Creation 2021