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The Global Mercantilist Index: A New Approach to Ranking Nations' Trade Policies

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■ Today's Presentation

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Understanding Mercantilism

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The Need for the GMI

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Index Methodology and Results

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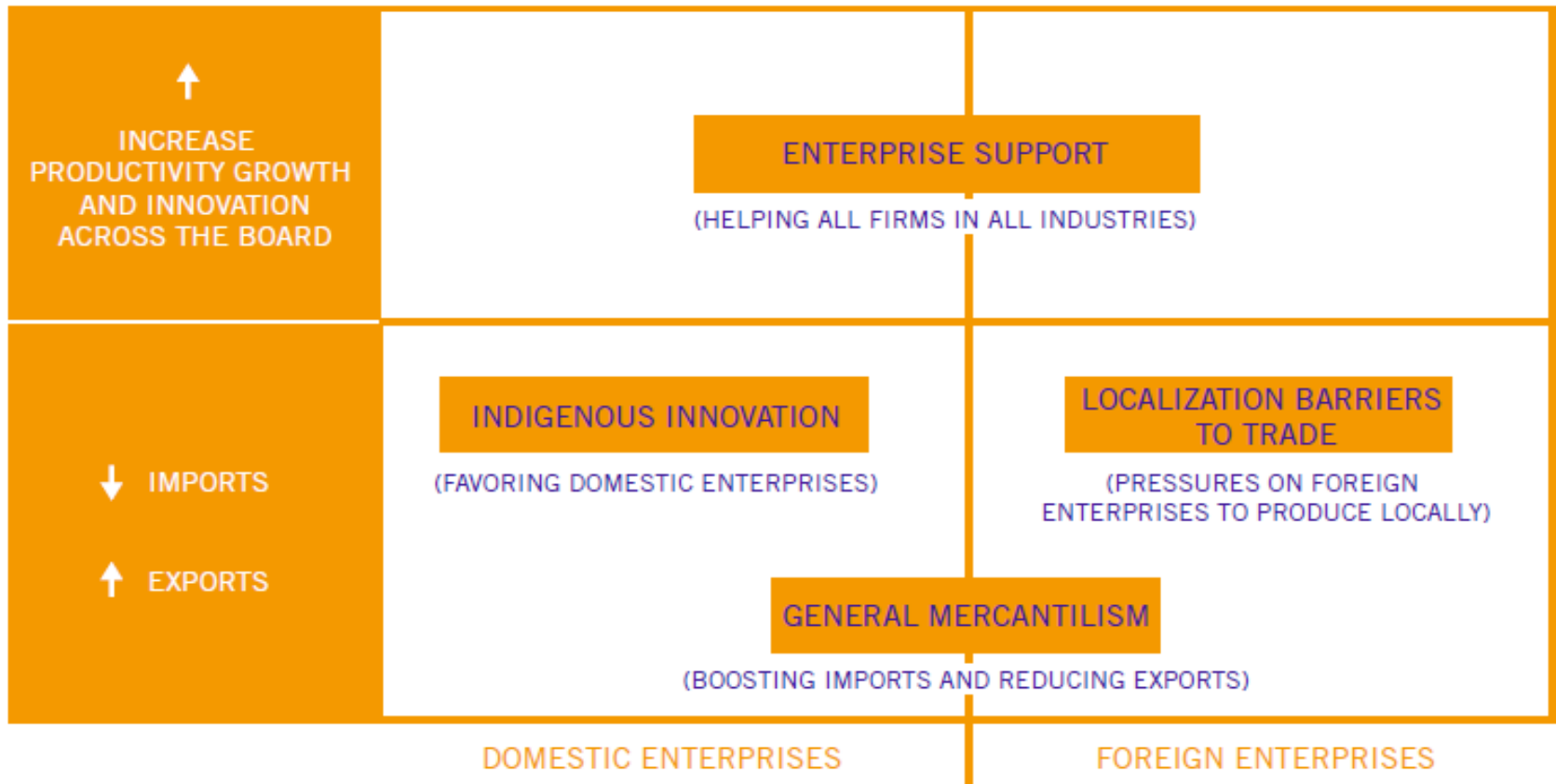
Policy Recommendations

■ Understanding Mercantilism

- Policies that seek to expand domestic production by limiting imports and/or boosting exports, including:
 - Localization Barriers to Trade;
 - Indigenous Innovation;
 - General Mercantilism.

■ Understanding Mercantilism

A MATRIX FOR UNDERSTANDING GLOBAL ECONOMIC DEVELOPMENT POLICIES



■ Understanding Mercantilism

- WTO-reported TBTs reached record high (1,560) in 2012.
- LCRs affect 5% of global trade; cost global economy \$100B/yr.

■ Understanding Mercantilism

- Despite the claims of free trade advocates, mercantilist policies hurt:
 - The economies targeted
 - The global economy
 - The economies using them

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Policy Recommendations

■ The Need for the GMI

Report	What	Rank
301	IP	Yes
NTE	Most Trade Barriers	No

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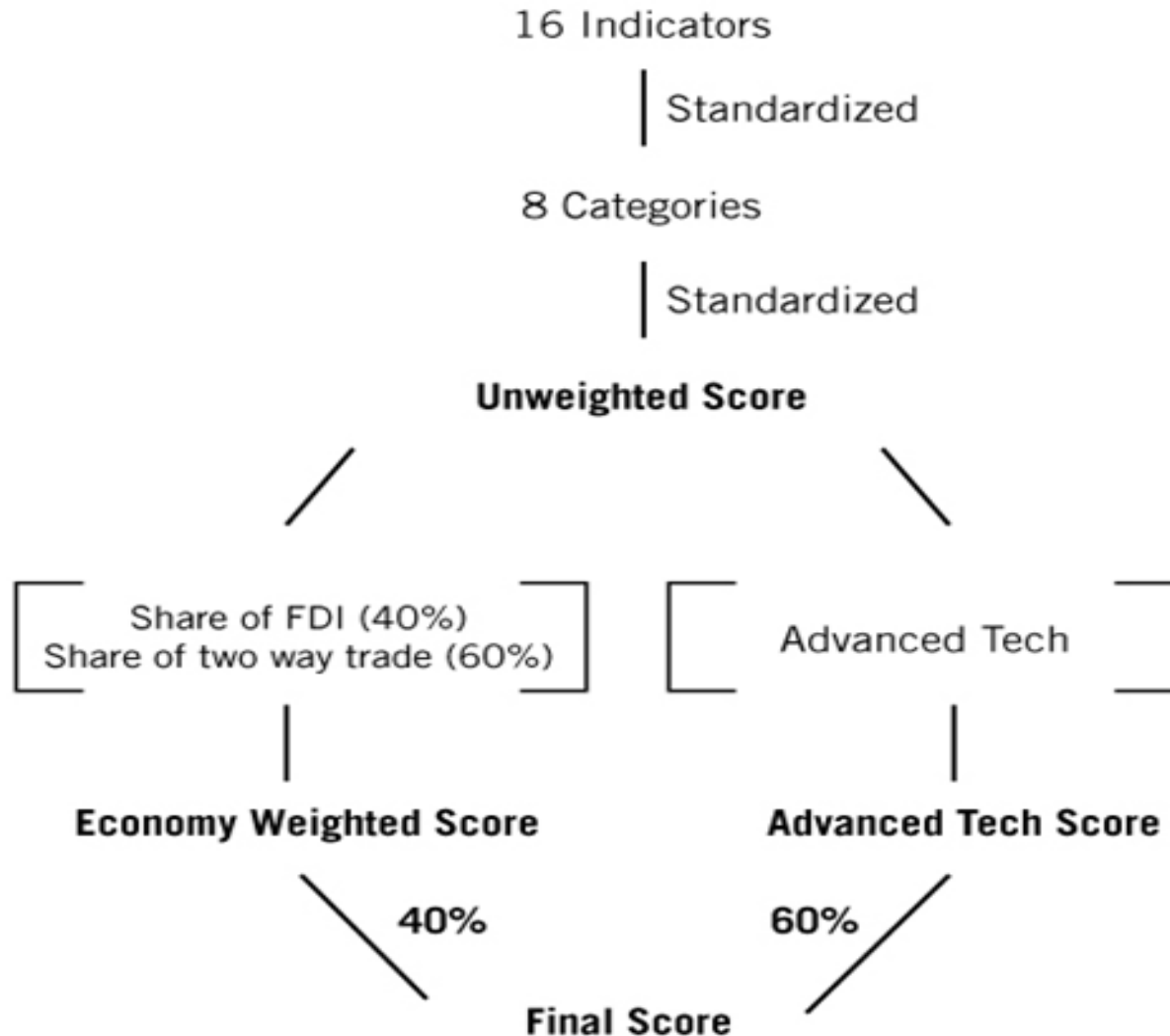
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Policy Recommendations

■ Index Methodology and Results

1. Create a system that ranks nations on mercantilism
2. Adjust ranking for importance of nation to U.S. economy
3. Modify ranking based on extent to which policies affect U.S. advanced technology industries
4. Combine ATS and economy-weighted scores

■ Index Methodology and Results



■ Create a System

8 categories comprising 16 indicators

1. Forced Localization
 - NTBs, LBT types
2. Intellectual Property
 - Special 301, Park Index, WEF IP Protection
3. Market Access
 - GATS, RTAs, Foreign Equity Restrictions
4. Benefits for Domestically Owned Enterprises
 - GPA, Government Enterprise and Investment Rating
5. Currency Manipulation
 - Currency Manipulation
6. Preferences for Domestic Production
 - Trade Policy Reviews
7. Tariffs and Import Discrimination
 - Documents to Import, Simple Mean Tariff Rate, Complexity of Tariffs
8. NTE Report Ranking
 - NTE Report Ranking

■ Combine ATS and economy into quartiles

High	Moderate-High	Moderate-Low	Low	Low
China	Argentina	Malaysia	Taiwan	Ireland
India	Brazil	Thailand	New Zealand	Hong Kong
	Russia	Turkey	Switzerland	Latvia
		Indonesia	Kenya	Hungary
		Philippines	Israel	Spain
		Vietnam	Bulgaria	Luxembourg
		Mexico	Denmark	Belgium
		South Korea	Italy	Sweden
		Canada	Iceland	Romania
		South Africa	Norway	Czech Republic
		Japan	France	Lithuania
		Australia	Netherlands	Slovenia
		Peru	Germany	Slovak Republic
		Chile	Poland	Malta
		Singapore	Austria	Cyprus
			Greece	Finland
			United Kingdom	Portugal
				Estonia

■ Top 10: How the methodology changed them

Country	Pure Rank		Country	Final Rank
China	High		China	High
India	High		India	High
Argentina	High	→	Argentina	Mod-High
Brazil	Mod-High		Brazil	Mod-High
Malaysia	Mod-High	↘	Russia	Mod-High
Thailand	Mod-High	↘	Malaysia	Mod-Low
Indonesia	Mod-High	↘	Thailand	Mod-Low
Russia	Mod-High	↗	Turkey	Mod-Low
Philippines	Mod-High	↗	Indonesia	Mod-Low
Turkey	Mod-High	↗	Philippines	Mod-Low

■ BRICA Economies' Final Scores (High = Worse)

Country	Final Quartile	Final Score	ATS Score	Econ Score	Pure Score
China	High	57.5	53.2	63.8	35.5
India	High	44.6	45.8	42.7	30.5
Argentina	MH	39.6	37.8	42.4	30.3
Brazil	MH	38.7	39.8	37.2	26.5
Russia	MH	31.2	29.7	33.3	23.8

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Policy Recommendations

■ Policy Recommendations (U.S.)

1. Congress should task USTR with creating an annual Global Mercantilist Index.
2. The White House should publish a national trade enforcement strategy that reviews the adequacy of U.S. trade enforcement mechanisms.
3. Congress should update the 1988 Omnibus Trade and Competitiveness Act: to institutionalize a Chief Trade Enforcement Officer and Working Group at USTR and restructure the interagency trade process.

■ Policy Recommendations (U.S.)

4. Congress should increase USTR, ITEC and ITA appropriations for trade and customs enforcement.
5. Congress should require that trade preferences, such as GSP, be tied to the GMI and Special 301 Report results.
6. U.S. development organizations should advocate for a new approach to development economics not grounded in innovation mercantilism.

■ Policy Recommendations (Global)

1. Trade policymakers should encourage the WTO to develop a similar global mercantilist ranking report.
2. The U.S. and free-trade allies should work to restructure the WTO so that it becomes a more effective enforcement organization and not just a market opening one.
3. International development organizations should use the global mercantilist ranking report to inform their funding decisions.

Thank You

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