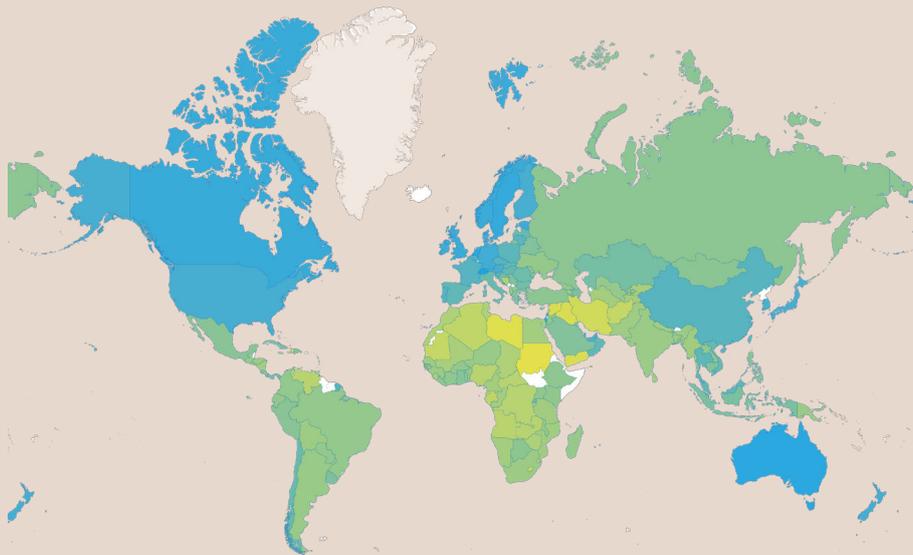


This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2022

Why smart elites should value transparent trade and investment policies

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4.2 Indicator Scorecards

Global Trade Alert Indicators (IPM, IPS, DGI, DGS)

Why smart elites should value transparent trade and investment policies

The Elite Quality Index (EQx) quite rightly includes four variables that capture the resort to favoritism by elites in national trade and investment policies. For sure, these policies aren't the only drivers of national economic performance but plenty of research has shown that economies more open to international commerce tend to grow faster, absorb ideas from abroad sooner, and are better able to manage supply chain shocks.

For a report about elites, however, openness to international trade and investment has an important governance dimension. Essentially, openness makes elite membership more contestable. Dominant national firms face pressure to stay on their toes from well managed rivals abroad. Individuals from disadvantaged groups at home can create vibrant businesses that sell goods and services to foreign customers. In short, openness creates opportunities for social and economic advancement from which the next generation of elite players are drawn.

Forward-looking elites realize that they need pressure to perform and, from time to time, need to renew themselves. The old adage that policy—be it competition, investment, or trade policy—should protect the process of rivalry rather than the dominant competitors remains as true today as it has ever been. Some would go further and argue that the concentration of corporate power in certain sectors and economies makes this injunction all the more relevant in the Twenty-First Century.

Developments during the COVID-19 pandemic highlighted the role that trade policies in particular can play. The reflexive response of many governments to unanticipated shortages in medical goods and equipment in the second quarter of 2020 was to ban exports of these essential goods. The result was supply chain chaos, with parts and components unable to cross borders, intense antagonism between governments, and ultimately a realization that such bans weren't zero sum, but negative sum acts.

Remarkably, some governments—Australia, Canada, and Japan come to mind—did not prevent their manufacturers of medical goods from fulfilling export orders. These enlightened decisions have not been lost on buyers of medical goods—risk perceptions related to sourcing from these three nations are almost certainly lower as a result. Worse, of course, was to come with explicit and *de facto* export bans on COVID-19 vaccines, the results of which are likely to cast a long shadow over international trade cooperation for years to come. Short-term elite opportunism can have long-term consequences.

Translating this notion into empirical measures for national trade and investment policy requires care. The central problem is that governments can choose from a variety of substantively different policy instruments and somehow these choices must be aggregated. The EQx employs two plausible measures. The first is the share of policy interventions that favour local commercial interests. This gives a sense—however imperfect—of policy direction with regard to opening national goods and services markets to foreign competition (DGI and DGS, iv.10). The higher the share of measures favoring local firms, the more doubtful we should be about the contestability of local markets by foreign firms. Another victim of such a closed market are domestic export interests that rely on imported parts and components. As economists have appreciated for almost a century, when governments tax imports they also tax exports.

The second measure used in the construction of the EQx are so-called import coverage shares. Specifically, these are the share of national imports that are in products where policies favor local firms (IPM and IPS, iv.10). The more sectors that are protected from foreign competition—all other things being equal—the higher this share is. This metric is used in many studies of international trade as an Indicator of the degree of import protection.

Both measures vary from zero to one and can vary over time for each nation. As a result, it is possible to track whether an elite is choosing to open up its economy to foreign competition over time, or is moving in the opposite direction. Furthermore, comparisons across nations at a particular point in time are possible. Which of these two measures make more sense depends on the question being asked. Both can speak to the broader themes highlighted earlier in this section and in the EQx report.

Although it is contested who first said, "Eternal vigilance is the price of liberty", they were on to something. Concentration of political power—in the hands of elites—can quickly become a formula for redistribution from the many to the few. In terms of the EQx, the wrong type of elite behavior can hold back national Value Creation. Because 'them versus us' nationalistic arguments are so effective rhetorically, policies towards international trade and investment are particularly susceptible to manipulation in favour of special interests. Consequently, every step taken to make national policies towards globalization more transparent is to be welcomed. Eternal vigilance is the price that must be paid for sustained Value Creation.

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Sub-Index (Level 2)	Value
Index Area (Level 2)	Economic Value
Pillar (Level 3)	Producer Value
Indicator ref. (Level 4)	iv.10_IPS
Indicator wgt. (in EQx)	0.9%
Indicator wgt. (in Pillar)	7.1%
Countries covered	71
Inclusion year	2022
Conceptual optimum	No
Data Source	The Global Trade Alert, SIAW Institute, University of St.Gallen

Description

Share of imports targeted by protectionist measures (stock) considers (for the latest available year) imports targeted by protectionist measures implemented since 2009 and still in force. This indicator represents a stock statistic.

Rationale

The assumption that free trade results in Value Creation means that protectionism favors existing domestic producer elite business models by shielding them from competitive foreign trade. Counter arguments would highlight the benefits of protecting domestic infant industries that will engage in future Value Creation. Further research might be needed to establish an optimum associated with economic development levels. At present, the higher the share of imports that are targeted by protectionist measures for this stock indicator, the lower the level of Value Creation.

Rank /71	Country	Score	Rank /71	Country	Score	Rank /71	Country	Score
1	Kuwait	80	51	Czech Republic	40			
2	Iran, Islamic Rep.	80	52	Kyrgyz Republic	40			
3	United Arab Emirates	80	53	Burundi	38			
4	Bosnia and Herzegovina	80	54	Greece	38			
5	Guinea	79	55	Canada	33			
6	Switzerland	79	56	Belgium	31			
7	Bahrain	79	57	Kenya	29			
8	Azerbaijan	78	58	Finland	27			
9	Congo, Rep.	78	59	Jamaica	25			
10	Cote d'Ivoire	78	60	Brazil	23			
11	Chile	78	61	United Kingdom	18			
12	Burkina Faso	77	62	Spain	17			
13	Dominican Republic	75	63	Italy	17			
14	Georgia	75	64	France	12			
15	Ghana	75	65	Ecuador	11			
16	Ethiopia	72	66	Germany	7			
17	Gabon	71	67	Argentina	0			
18	Bangladesh	70	67	China	0			
19	Benin	69	67	Indonesia	0			
20	Belarus	68	67	India	0			
21	Cambodia	68	67	Kazakhstan	0			
22	Japan	67						
23	Australia	67						
24	Costa Rica	67						
25	Albania	67						
26	Israel	66						
27	Guatemala	65						
28	Botswana	64						
29	Jordan	64						
30	Gambia, The	63						
31	Cameroon	62						
32	Honduras	59						
33	Algeria	56						
34	Egypt, Arab Rep.	55						
35	Estonia	55						
36	Armenia	53						
37	Bulgaria	52						
38	Cyprus	51						
39	Austria	51						
40	Colombia	50						
41	Korea, Rep.	49						
42	Latvia	49						
43	Croatia	48						
44	Hungary	47						
45	Angola	46						
46	Bolivia	44						
47	Sri Lanka	44						
48	Ireland	41						
49	Denmark	41						
50	Lithuania	40						

The Elite Quality Report 2022 (EQx2022) provides Country Scores & Global Rank for 151 countries
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