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## Global trade and trade protection in a globalised world

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### ABSTRACT

While the World Trade Organisation and Regional Trade Agreements work for boosting the global trade, trade protection remains prevalent. This contradiction took a new turn during the 2007/2008 global financial and economic crisis. There has been an argument that trade protectionist activities are influenced by diverse factors, including social, economic and institutional factors. This study examines what determines trade protectionist actions, taking into consideration some macro-economic variables. The data were sourced from the Global Trade Alert and World Development Indicators. The authors find that a country's level of economic growth is not a crucial factor for engaging in trade protection. It is also interesting that as a country's institutional quality improves, there might be the less protectionist tendencies. This implies that a country's magnitude of protection is determined by its level of institutional development. The other finding includes that the more a country trades, the higher its tendency to protect.

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Globalisation; international trade; institutions; regional trade agreements; trade protection

## 1. Introduction

The proponents of free trade advocate for the minimisation of the restrictions to global trade in favour of access to the global market. This is evidenced by the number of Regional Trade Agreements (RTAs) across the world (Osabuohien, Efobi, & Beecroft, 2014; World Trade Organization, 2012). The quest for cooperation among countries with a view to enhancing mutual benefits and economic growth are some of the goals of the WTO and Regional Trade Agreements (RTAs). Similarly, the world trade system (WTS) was indoctrinated with a consensus towards free trade of goods and services and the mutual cooperation of countries, to enhance trading capacities (Osabuohien, Efobi, Odebiyi, & Fayomi, 2017).

Despite the drive to achieve more trade among countries, proponents of protectionism advocate for national interest and economic welfare through regulating imports and market entry of goods from other countries. Some of the protectionist policies include tariff bounds, rules of origin in some cases, bans and quotas. Evidence reveals that the number of protective actions implemented by countries after the global financial and economic crises has drastically increased (Evenett, 2014; Osabuohien et al., 2014). By this action, it is presumed that the protecting country is able to foster national agenda at the expense of access to goods produced by other countries. Irrespective of a country's orientation towards trade (in terms of free trading or protectionism), there are *pros* and *cons* that are attributable to each of these trade orientations. For instance, free trading activities will enhance competition, consumer welfare, among others, while the issue of dumping and death of indigenous industries may arise.

On the other hand, the benefits of free trading will be regressed, while the demerits will be advanced, under protectionism (Boffa & Olarreaga, 2012). The relativity to glide towards either of both ends lies with the countries involved, holding other things constant. This argument is not altogether new as similar issues emerged after the economic depression of the 1930s (Eichengreen & Irwin, 2009). However, the 2008 global economic crisis brought another dimension to the issue, as new protectionist instruments were unfolded (Evenett, 2011, 2014). Some studies noted that the recent protectionist action of countries can be traced to their retaliatory tendencies (Boffa & Olarreaga, 2012). Others noted that the global financial crisis of 2008 can be blamed because the period witnessed a number of industry collapses as a result of the reduction in demand for goods. However, we

observed that beyond this, the level of economic growth, trade openness and institutional development of countries can determine the extent to which they engage in protectionist actions.

From the above backdrop, this study examines the factors that can inform a country's decision to engage in more of free trade tenets or protectionist actions. It engages the data from the Global Trade Alert (GTA) database on protection, World Development Indicators (WDI) and World Trade Indicators (WTI), which was analysed using descriptive, statistical and econometric techniques. Part of our findings includes that a country's level of economic growth is not a crucial factor for engaging in trade protection; however, as a country's institutional quality improves, the less the involvement in protection. This implies that a country's magnitude of protection is determined by the level of its institutional development.

The remainder of the paper is distributed as follows: the next section gives brief insights from extant studies and analytical underpinnings; the third section contains methods of analysis and the empirical model, while the fourth section discusses the empirical results. The last section highlights the summary of major findings and the conclusion.

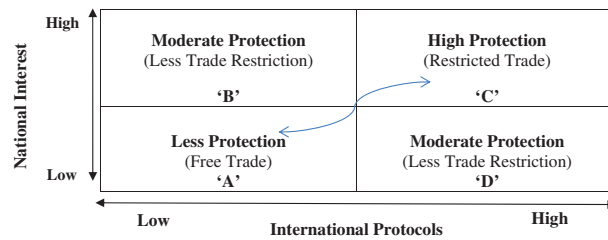
## 2. Literature review and analytical underpinnings

Trade is essential to a country's growth and development (David & Scott, 2005; Dollar, 1992; Sachs & Warner, 1995; Winters, 2004; Winters & Mackay, 2004). Krugman (1983) and Bhagwati (2004) further suggest that global trade has positive effects on economic development, particularly in the area of employment generation, poverty reduction, income re-distribution and economic growth. The trade theory of Helpman and Krugman (1985) and the new growth theory of Grossman and Helpman (1991), postulate that the gains realised from trade make trade a significant tool for economic growth. Srinivasan (2000) and Stiglitz (2002) further averred that trade brought about significant incentives for developing countries. Maruping (2005) went on to explain that through trade, regional integration can effectively perform their roles in enhancing competition and providing access to the global market.

To advance the benefit from trade, there is the need for trade liberalisation. Trade liberalisation (otherwise called free trade) refers to the absence of restrictions on the import and export of goods and services between countries, or a *laissez-faire* approach to international trade. It requires the integration of nations through a common market for the exchange of goods and services, veering closely towards globalisation (Maruping, 2005; Tilat, 2002). Free trade has its benefits, which include welfare rise, as a result of falling rate of tariff due to increasing imports (Ornelas & Turner, 2011); enhancement of a country's economic growth and development (Grossman & Helpman, 1991; Maruping, 2005; Srinivasan, 2000; Stiglitz, 2002). Despite the attractiveness of free trade, it has its adverse effects on the economy of a country. For instance, Tilat (2002) notes that trade has no significant relationship with long-term economic growth. He proffered that in the short-run, the negative effects of free trade outweigh its benefits. Winters and Mackay (2004) from their study also deduced that trade liberalisation is harmful to the poor in the short-run, while in the long-run, open economies may still find themselves falling below the poverty line.

Contrary implications of free trade on the economy could cause protection by countries (Bhagwati, 2009). Protection depicts an attempt by the government of a country to impose or enact restrictions on the exchange of goods and services with other countries of the world (George, 1949; Osabuohien, et al., 2014). The philosophy underlining protection is that regulation of international trade is vital to ensuring that markets function properly, which emanates from the fact that market inefficiencies can impede the benefits of international trade; thus, the need to provide ways of mitigating such inefficiencies (Osabuohien et al., 2017). Some instruments used for Protection include: tariffs, export subsidies, quotas, embargoes, exchange controls, import licencing, voluntary export restraint arrangements, and intellectual property laws such as patents and copyrights (Datt, Hoekman, & Malouche, 2011; Evenett, 2011, 2014).

Justifications proposed for employing protectionist measures include: infant industry argument, import dumping, externalities, market failures and import controls, and non-economic reasons. Infant industry argument is one of the most widely adopted theories in support of protection (George, 1949). The belief here is that if foreign companies are allowed to be part owners of some industries, the competition will be too high for the survival of infant industries. Furthermore, through protection, importation of de-merit goods such as alcohol, tobacco and narcotic drugs that have adverse effects can be controlled using high tariffs or imposing a ban (George, 1949).



**Figure 1.** Free trade-trade protection nexus (national interest versus international protocols).

Protection is deemed harmful to consumers as both tariff and non-tariff barriers impose taxes on the domestic consumers, usually through regressive means, thereby hurting the poor most. It imposes tariffs on products consumed by low-income households, thereby encouraging income inequality. It also creates market distortions, which take place in the form of higher prices for goods and services, and reduction in market access for producers. Furthermore, protection can introduce production inefficiencies as domestic firms that enjoy protection from competition may have a lackadaisical attitude towards reducing production costs. It can promote negative multiplier effects where trade disputes adversely affect trade volumes, leading to negative outcomes for countries. Another argument against protection is that it may trigger higher taxes and higher prices by imposing a double burden on tax payers and consumers. It can instigate trade wars in the form of retaliatory actions among countries (Boffa & Olarreaga, 2012).

This study is not interested in choosing sides as to which is better (free trade or protectionist action), but how countries' varying national interests with international trade protocols can instigate protectionist actions. Stemming from the above, this study epitomises the underpinning factor that influences countries' tilting towards greater protection or less protection. This is shown in Figure 1.

From Figure 1, the more diverse the national interest is to international protocol, the more protective measures a country will impose with a view to bolstering the interests of the citizenry as against adhering to international guidelines. Segment C in Figure 1 portends this. For instance, a country facing a state of emergency can decide to protect to ensure the capacity of local industries to produce crucial goods; ensuring redistribution of income; fostering a conducive competitive environment for infant industry operations, and job creation among others. These are some of the national policies, which may not be captured in international protocols. Based on this divergence, a country can decide to protect. On the other hand, the closely related a country's national interest is to international protocols, the less protective the country will be and as a result, the less restrictive trade will become, which occurs in segment A.

It is important to note that a country's national interest will differ from the focus of international protocols or agreements because the latter seeks the general welfare of all the constituting members, while the former is focussed on the citizenry, whose interest the national leaders have 'sworn' to uphold. Further, international agreements are more encompassing based on the number of countries involved, and may entail broader issues relating to more bundles of goods and services without considering specific issues relating to individual countries. Therefore, a country's decision to glide from segment A to C or vice versa will depend on a number of factors such as the level of growth in the country, the institutional development and trade performance, besides the anticipated costs and benefits (Osabuohien & Efobi, 2011, 2013; Osabuohien, Efobi, & Gitau, 2013).

The level of growth in the country can reduce protectionist actions as growth bridges the inequality gap in the distribution of income, which is one of the main arguments for protection (Coughlin, Chrystal, & Wood, 1988). This implies that a country may not have the need to engage in protective actions when its economic growth improves. Segments B and D have same connotation as moderate protection will occur given international agreement and low national interest, and *vice versa*. Another reason is that some of the protective measures are revenue sources to national governments. In effect, revenues from such actions (e.g. import duties) are significant components of their national income. Thus, to jettison them in 'the name of free trade' is to lose a large proportion of revenue base. Even from the global trade point of view, the duties were as much as 13.52% and contributed to 10.68%, 10.70% and 14.10% of the tax revenues in Middle East and North Africa (MENA), Latin America and the Caribbean (LAC), and East Asia and the Pacific (EAP) regions, respectively (World Bank, 2016).

### 3. Methods of analysis and empirical model

This study engages econometric technique in achieving its objectives. It formulates an empirical model that expresses a country's tendency to protect as a function of explanatory variables such as: institutional quality, infra-structural quality, economic growth, and trade balance. The dependent variable was obtained from the content analysis of the Global Trade Alert (GTA) data set. The GTA dataset documents policies by countries, which are likely to hamper the operations of global free trade. The dataset covers the period 2009–2012, and documents real-time policies of countries relating to their trade policies. It includes trade policies relating to the following: tariff and non-tariff measures, public procurement and policies on migration, export subsidy and other service sector, trade defence measure, Sanitary and phyto-sanitary (SPS) measures, consumption subsidy, public procurement, intellectual property protection, technical barriers to trade (TBT), investment measure, import ban, state trading enterprise, local content requirement, export subsidies, bail out, import licences, quota, competitive devaluation, trade finance and sub-national government measures. This study used a sample of 107 countries based on their engagement in at least one form of protective measure during the period of study. The list of the sampled countries is in the [Appendix 1](#).

The GTA dataset provides information on contemporary protection actions and these actions are categorised into three colours (Red, Amber and Green). The Red includes measures already implemented that may involve discrimination or have been announced or under consideration, but if implemented will certainly restrict trade. Amber involves measures that are implemented/already announced and if implemented the resultant impact on trade is not certain. The Green includes measures that have been announced/implemented that support free trade. This study categorised measures for red and amber as protection. Evenett (2011) used a similar approach to evaluate the extent of trade tensions mounting as a result of the global financial crises.

This study observes that a country will -likely engage in protectionist activities when its national interest takes paramount priority over past international or regional treaties and trade agreements. Basically, the study proposes that institutional factors and economic growth amongst others can explain the countries' tendencies to engage in protective actions. This implies that the possibility that country 'Y' will engage in a protectionist action ( $Y_i > 0$ ) or not ( $Y_i = 0$ ) is given by:

$$P (Y_i = 1/y) = \begin{cases} \Pi_i & \text{if } y = 0 \\ 1 - \Pi_i & \text{if } y > 0 \end{cases} \quad (1)$$

where  $\Pi_i$  is the probability that country 'i' decides not to put in place a protectionist measure that can hinder free trade based on a set of covariates  $X_{it}$  for which the linear relationship can be expressed using a logistic regression framework. Thus, [Equation \(2\)](#):

$$\text{Logit} (\Pi_{it}) = \ln \left( \frac{1 - \Pi_{it}}{\Pi_{it}} \right) = X_{it} \alpha \quad (2)$$

In this equation,  $\alpha$  is a vector of parameters to be estimated, while  $X_{it}$  is a combination of the explanatory variables, which include the quality of institutions, infrastructure development, economic growth variables as well as dummy variables signifying the founding members of the WTO, developing countries and African countries. Explicitly, the econometric model developed for this study is expressed in [Equation \(3\)](#) as;

$$P (Y_{it} = 1/y) = \beta_{0i} + \beta_1 \text{Edev}_{it} + \beta_2 \text{Infra}_{it} + \beta_3 \text{Instq}_{it} + \beta_4 \text{Trdint}_{it} + \beta_5 \text{dum}_i + \mu_{it} \quad (3)$$

The probability of a country engaging in protective action, measured as a categorical variable. One (1) was attributed to a country with high rate of protective measure and zero (0) if otherwise. A country is regarded as having a high measure of protection if in a particular year the protective measure engaged by the country is above the simple average of the total measures engaged by the countries reported in the GTA dataset. The simple average was first computed by dividing the total measures of all protective actions taken by all the countries in a particular year by the number of countries reported in that year. Then the number of measures taken by each country was compared with the average and any country with protective measures more than the sample average was categorised as 1 and otherwise as 0 for the period (2009–2010)<sup>1</sup>. This is summarised in [Table 1](#).

From [Table 1](#), countries with average measures that are  $\geq 7$  in 2009 are categorised as 1 (0, otherwise), while in 2010, countries with average measures that are  $\geq 6$  are categorised as 1 (0, otherwise). The reason for establishing this cut-off point is that countries that have average measures greater than the global average measure can

**Table 1.** Dichotomisation of the dependent variable.

Year	Number of protective measures	Number of countries	Simple average
2009	615	86	7.15 measures
2010	606	106	6.00 measures

Source: The Authors.

be said to have relatively high tendencies for protection. The above dichotomisation approach is with a view to apply an analysis that deals with categorical dependent variables such as logistic regression. A similar approach (though with trade relations) has been used by Kim and Shin (2002) within the context of Social Network Analysis to explain longitudinal data on international commodity trade between 105 countries (1959-1996) using cut-off points of USD 1 million and USD 10 million.

The independent variables include:

*Egrw*: economic growth measured as GDP growth rate (*gdpgrw*).

*Infra*: infrastructural development measured as logistics performance index (*logistics*). The *logistics* measures the performance of the country with regards to trade logistics as reflected in the overall logistic index, showing the average of the country scores on the efficiency of the clearance process. This includes border control agencies (e.g. customs), the quality of trade and transport related infrastructures (e.g. rail, road, information technology), ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace consignments, and the timeliness of shipments (World Bank, 2016). The value ranges from 1 (lowest) to 5 (highest)<sup>2</sup>.

*Instq*: institutional quality, which captures the quality of institution in a country. As reported in the World Governance Indicators (WGI) of the World Bank (2015), there are six indicators including: government effectiveness (GE), regulatory quality (RQ), voice and accountability (VA), rule of law (RL), political stability and absence of violence (PS), and control of corruption (CC). However, this study used four of them (GE, RQ, RL and PS) as they provide insight on the process of international relations especially with third party dealings. The data were obtained from WGI. These indicators are standardised on a scale from -2.5 (lowest) to +2.5 (highest). Other indicators of *Instq* engaged are from Freedom House (2015), namely: political rights (PR) and civil liberties (CL). The choice of PR and CL is to complement those of WGI and, most importantly, it covers a recent period (2009 and 2010 inclusive). The original values range from 1 (highest degree of freedom) to 7 (the least). However, this study transformed the data such that higher values indicate better institutional quality. This is to aid interpretation of results as all other variables are in ascending order.

*Trdopn*: trade openness measured as the net export to GDP [i.e. (X-M)/GDP].

*Dum'*: dummy variables (with superscript 'J'= 1-3), which include: (1) WTO founding member (*WTOfnmb*) dichotomised as 1 for countries that are WTO members since inception in 1995 and 0 otherwise as reported in WTO (2012). (2) Developing country dummy (*Developing*) as derived using United Nations Conference on Trade and Development's (UNCTAD, 2012) classification base to assign 1 if a country is a developing economy and 0 otherwise. (3) African countries (*Africdum*) obtained by assigning 1 to African countries and 0 to non-African countries.

This study engaged data for 107 countries and an African sample comprising 25 countries. This sample is as informed by the GTA dataset. Other sources of data are World Development Indicators (WDI). The analysis was carried out with the aid of STATA 13 software.

#### 4. Results and discussions

The econometric analysis reports the results obtained from the logistic regression for the estimation of Equation (3). The results are reported in Table 2, using indicators of economic growth and other explanatory variables, accordingly.

From Table 2, the test statistics presented in the last segments such as the Pseudo R<sup>2</sup> and their various probability values were statistically significant. This underscores that the chosen explanatory variables were jointly significant in explaining the likelihood of a country engaging more in protective actions. This means that the estimations can be relied upon for useful inference.

**Table 2.** Logistic regression.

	Dependent variable: tendency of country engaging in protective action									
	I	II	III	IV	V	VI	VII	VIII	IX	X
<i>Egrw</i>	0.0346 (0.323)	-0.009 (0.802)	-0.005 (0.893)	-0.020 (0.602)	-0.013 (0.732)	0.018 (0.633)	0.001 (0.974)	0.029 (0.422)	0.040 (0.252)	0.004 (0.925)
<i>Trdopn</i>	3.415 <sup>b</sup> (0.064)	4.089 <sup>b</sup> (0.031)	3.709 <sup>c</sup> (0.051)	2.999 (0.110)	2.997 (0.107)	2.687 (0.142)	2.535 (0.159)	3.563 <sup>c</sup> (0.067)	3.216 <sup>c</sup> (0.083)	2.929 (0.117)
<i>Logisticsov</i>	0.644 <sup>c</sup> (0.051)	1.538 <sup>a</sup> (0.001)	3.033 <sup>a</sup> (0.000)	2.616 <sup>a</sup> (0.000)	3.030 <sup>a</sup> (0.000)	0.968 <sup>b</sup> (0.014)	1.241 <sup>a</sup> (0.003)	0.425 (0.232)	0.531 (0.131)	1.001 <sup>b</sup> (0.015)
<i>Ps</i>		-0.996 <sup>a</sup> (0.000)								
<i>Ge</i>			-1.722 <sup>a</sup> (0.000)							
<i>Rq</i>				-1.502 <sup>a</sup> (0.000)						
<i>Rl</i>					-1.544 <sup>a</sup> (0.000)					
<i>Pr</i>						-0.155 (0.147)				
<i>Cl</i>							-0.342 <sup>b</sup> (0.014)			
<i>wtofnmb</i>								0.768 <sup>c</sup> (0.072)		
<i>africdum</i>									-0.526 (0.368)	
<i>developing</i>										0.813 (0.113)
<i>Cons</i>	-3.034 <sup>a</sup> (0.005)	-5.874 <sup>a</sup> (0.000)	-9.846 <sup>a</sup> (0.000)	-8.563 <sup>a</sup> (0.000)	-10.002 <sup>a</sup> (0.000)	-3.203 <sup>a</sup> (0.004)	-3.041 <sup>a</sup> (0.006)	-2.880 <sup>a</sup> (0.009)	-2.614 <sup>b</sup> (0.024)	-4.533 <sup>a</sup> (0.002)
<i>Pseudo R2</i>	0.068 <sup>a</sup> (0.003)	0.152 <sup>a</sup> (0.000)	0.169 <sup>a</sup> (0.000)	0.166 <sup>a</sup> (0.000)	0.157 <sup>a</sup> (0.000)	0.076 <sup>a</sup> (0.003)	0.096 <sup>a</sup> (0.000)	0.084 <sup>a</sup> (0.001)	0.072 <sup>a</sup> (0.004)	0.080 <sup>a</sup> (0.002)
<i>Log likelihood</i>	-99.041	-90.054	-87.786	-88.091	-88.999	-97.554	-95.437	-97.330	-98.617	-97.728

Note: Probability values are in parenthesis. Superscripts <sup>a</sup>, <sup>b</sup> and <sup>c</sup> represent significant at 1, 5 and 10%.

The lag of *Egrw* was also included as a further robust check. The results (not reported) were not statistically different from the ones presented in [Table 2](#).

Source: Authors' computation.

A close investigation of [Table 2](#) reveals mixed signs as in columns I–IV, the GDP growth was negative, while in columns V–X it was positive. However, it was not significant in any of the columns. This suggests that a country's economic growth will not necessarily create or induce her tendency to protect. This picture becomes clearer on the examination of the developing country dummy in the Table, as the variable had a positive value, which was not significant at 10%. This finding supports that of [Tilat \(2002\)](#) where it is argued that trade relations and economic growth may have no significant relationship. Similarly, [Milner, Yoffie, and Spring \(1989\)](#) noted that the levels of economic condition are not necessarily the reason for countries' protective actions as a country will tend to engage in a protective action not necessarily because of the buoyancy of its economy but other interest. More evidently was the scenario from the global financial crises, where countries at different levels of growth were engaged in protectionist actions ([Datt et al., 2011](#)). Thus, it could be said that there are other salient factors that will tend to make a country engage in protective measures other than its economic growth.

In view of this, we went further to investigate other explanatory variables, which are reported in [Table 2](#). Most importantly, the respective institutional variables using those of WGI (*PS*, *GE*, *RQ*, *RL*) and Freedom House (*Pr* and *Cl*) were all negatively signed, indicating that countries with weaker institutions tend to relatively protect more than those with stronger institutions. This is re-echoed as almost all the indicators of institutional variables in the Table were statistically significant at 1% and 5%. This denotes that institutional quality in a country is a crucial determining factor in the relativity of a country's inclination towards protection. This can be justified considering that the quality of a country's institutions will be able to guide and guard its economic activities without resorting to external protectionist mechanisms. A further investigation of the components of the institutional quality variables using WGI reveals that government effectiveness (*GE*) is most relevant in determining the likelihood of a country's protection, followed by rule of law (*RL*), regulatory quality (*RQ*) and political stability (*PS*). These institutional measures are able to deter against moral hazard that can likely arise from free trade. Thus, an improvement in these categories of institutions will result in a decrease in protectionist actions.

The indicator for infrastructural development was positive and significant in all the columns with the exception of column VIII and IX. This suggests that infrastructural development in the country with regards to its logistic

performance has a bearing on its tendency to protect, implying that the better the country's infrastructure in terms of logistics performance, the higher the likelihood to engage in protective actions. This is expected as countries with better infrastructure are already being 'patronised' by other countries in terms of trade relations because better infrastructure reduces the costs of international trade. In this regard, a country can afford to be fearless and engage in protectionist actions, bearing in mind that the relating country may not back out because of the attendant low cost incurred in their trade relations. This is unlike a country with poor infrastructural facilities, which hitherto has been experiencing 'epileptic' trade relations with other countries because of the high cost of trading experienced by their trading partners. Such a country may not have the will power to engage in protective actions.

The trade openness (*trdopen*) variable was significant and positive in most of the columns, giving a kind of scenario that the more a country is open to trade, the more likely it is to protect. A reason for this scenario is that when a country trades more, it has more to offer in terms of export in the world market and take conscious actions to engage in protection in her favour. The series of trade litigation involving US, Russia, China, India and Mexico among others are handy testimonies in this regard (ICTSD, 2012a, 2012b, 2012c). Some of these actions could be retaliatory or otherwise (Baldwin & Evenett, 2009; Boffa & Olarreaga, 2012; Datt et al., 2011). In order to avoid this, a country that is more open to trade will engage in protective acts to minimise their risk from trading. This speaks for divergence in national interest and international protocols because countries' national interest will involve improving their trade potential and market for their products while reducing the import of substitute products from other countries. The latter is a breach of free trade agreements with other countries.

The dummy for WTO founding members was positive and significant. This suggests that founding members of WTO will be inclined to protect more than non-founding members. This speaks to the fact that founding members have more domineering influence *vis-a-vis* a likelihood to protect. Extant occurrences since the global financial crises support this assertion as regular protectionist actions are facilitated by the founding members of WTO such as China, Germany and USA. The Africa and Developing country dummy was not significant in explaining the relationship.

## 5. Conclusions

One of the core objectives for regional cooperation of countries is to boost mutual benefits among members especially with respect to trade. This is encapsulated in the World Trade Organisation (WTO) and various protocols of Regional Trade Agreements (RTAs), and is particularly evidenced as the cumulative RTAs across the world between 1990 and 2011 have tripled. However, despite this 'gospel' of free trade, Global Trade Alert (GTA) reports a variety of protective measures that have been initiated by many countries, who are signatories to WTO as well as a number of RTAs. This is a contradiction which forms one of the motivations for this study, which is to examine the factors that can influence a country's gliding towards free trade or protection. From the analyses, the main findings of the study are summarised herein.

The study found that as a country's institutional quality improves; the less likely they are to engage in protection. This is justified given that a country's domestic institutions such as the quality of regulation, rule of law, and effectiveness of the government will be able to guide and guard the economic activities of the country, intimating less reliance on external mechanism. This is evinced from a phenomenon where countries known to have internal security challenges usually have stringent policies: immigration policies, for instance.

Furthermore, the level of infrastructural development in the country with regards to the logistic performance has some influence on the tendency of a country to engage in protective actions. This means that as a country's infrastructure improves, the higher the likelihood to engage in trade protection. Furthermore, it was observed that trade openness was positive and statistically significant suggesting that the more a country engages in trade, the higher the tendency to protect. This is because, as a country trades more (both export and import), it tends to have more stakes in the world market and will be more *vigilant* with respect to guiding against possible trade losses, while at the same time maximising trade benefits. This is not far-fetched as countries known to be major players in the global trading arena are also regular complainants of trade cases.

Examining the WTO founding member dummy, the variable had a positive significant influence on the tendency to engage in protection. This implies that the founding members of WTO will tend to be more protective than others because they are more likely to have domineering influence than others. In conclusion, there will always be an inclination by countries to engage in some form of protective measure in order to safeguard the



interests of their citizenry. This is as a result of the consistent differences between countries' national interests and the contents of international trade protocols. Thus, the less synchronised countries' national interests are to international protocols, the more the tendency to protect, which will make the free trade-protection debate to remain a contention. The influence of countries' institutional quality is pivotal in this process.

As suggestion for future studies, there is the need to focus on extending the periodicity of the data, and re-examining the issues to understand the influence of recent dynamics on the result of this paper. Our data source was based on the initial version of GTA. The latest version of GTA will be released in 2018, which will allow for a wide span for data analysis in future studies. Thus, a relatively long panel data will give the latitude of analyzing the issue beyond logistic regression to using other econometric techniques such as generalized method of moments (GMM) that can adequately address possible issue of endogeneity.

## Notes

1. Hence, this study used 2009 and 2010 to have the same period for both the measure of protection and the explanatory variables. This differs markedly from Boffa and Olarreaga (2012), who related data from GTA covering measures between November 2008 and December 2010 to averages of explanatory variables from 2004 to 2006.
2. Efforts were made to include other indicators of infrastructure such as: paved roads, electricity power consumption, telecommunication usage (internet, telephone and personal computer users per 100 persons), however, data on them were not available for most of the countries in 2009 and 2010 in WDI.

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## **Appendix 1. List of sampled countries**

They include: Afghanistan, Algeria, Angola, Argentina, Armenia, Australia, Austria, Bangladesh, Belarus, Belgium, Bolivia, Bosnia, Botswana, Brazil, Bulgaria, Cameroon, Canada, Chile, China, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Democratic Republic of Congo, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, Gabon, Gambia, Germany, Ghana, Greece, Hungary, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea, Kuwait, and Kyrgyz Republic. Other are: Latvia, Lebanon, Lithuania, Luxemburg, Malawi, Malaysia, Malta, Mauritania, Mexico, Mongolia, Morocco, Mozambique, Namibia, Netherlands, New Zealand, Nigeria, Northern Island, Pakistan, Paraguay, Peru, Philippine, Poland, Portugal, Romania, Russia, Saudi Arabia, Sierra Leone, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sudan (before the creation South Sudan), Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Togo, Trinidad and Tobago, Turkey, United Arab Emirate, Uganda, United Kingdom, Ukraine, United States of America, Uzbekistan, Venezuela, Vietnam, Zambia, and Zimbabwe.