The GATT system: safeguards and CVDs

Paul Krugman
Escape clause / safeguards in the GATT

If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.
Section 201, known as the "Escape Clause," creates a mechanism for the president to grant relief measures to industries, workers, firms, and communities injured by increased imports from foreign industries producing competing products. Any industry can ask the U.S. International Trade Commission (ITC) to recommend that measures be taken to protect it from competing imports, even though those goods are being imported legally. If the ITC recommends invoking the Section 201 Escape Clause to protect the affected industry, the president may deny the request only on grounds of the "national economic interest" (Trade Act, Section 202[a][1][A]). Because of the protectionist nature of Section 201, only a handful of requests for action have resulted in protective measures being imposed by the president. Since the "escape clause" does not require a finding of any unfair trade practices by the exporting nation, that nation can then freely retaliate against measures imposed by the United States. Therefore, it is often not in the "national economic interest" to pursue such measures.
Why do this?

Possible economic argument: limited factor mobility plus sticky wages could mean that sudden import surges lead to unemployment

But why don’t we do this for all sudden economic changes?

And why not respond with wage subsidies instead?

Nonetheless, crucial to acceptance of trade negotiations
Certain Passenger Vehicle and Light Truck Tires From China

Investigation No. TA-421-7
The Chinese tire case: a section 421 action (a souped-up version of section 201, specifically for China)

I. Determination

Pursuant to section 421(b)(1) of the Trade Act of 1974 and on the basis of the information obtained in this investigation, the Commission determines that certain passenger vehicle and light truck tires from China are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of certain passenger vehicle and light truck tires.

II. Introduction

The petition in this investigation was filed on April 20, 2009, by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“USW”). Ten domestic producers comprise the domestic industry. The responding parties to the investigation are the American Coalition for Free Trade in Tires; American Pacific Industries Inc. and Fullrun Tyre Corp. Ltd.; Cooper Tire & Rubber Company; GITI Tire (China) Investment Co., Ltd., and GITI Tire (USA) Ltd.; Les Schwab Warehouse Center, Inc.; the Subcommittee of Tire Producers of the China Chamber of Commerce of Metals, Minerals, and Chemicals Importers and Exporters; and TBC Corporation.
Section 421(b)(1) of the Act (19 U.S.C. § 2451(b)(1)) states that the Commission shall, upon the filing of a petition, receipt of a request or resolution, or on its own motion, promptly conduct an investigation to determine whether products of the People’s Republic of China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

Section 421(c) of the Act (19 U.S.C. § 2451(c)) states that:

market disruption exists whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.
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<th>Item</th>
<th>2004</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
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<td>U.S. producers' shipments</td>
<td>194,731</td>
<td>181,756</td>
<td>163,814</td>
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<td>U.S. imports from--</td>
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<td>China</td>
<td>14,574</td>
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<td>27,005</td>
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<td>All other sources</td>
<td>98,179</td>
<td>102,424</td>
<td>100,601</td>
<td>98,913</td>
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<td>Total U.S. imports</td>
<td>112,753</td>
<td>123,214</td>
<td>127,606</td>
<td>140,416</td>
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<td>Apparent consumption</td>
<td>307,484</td>
<td>304,970</td>
<td>291,420</td>
<td>296,091</td>
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Section 301 expanded presidential authority to retaliate against trade practices by other nations that unfairly burden or restrict U.S. commerce, whether through high tariffs or through nontariff trade barriers. The president may suspend trade concessions, impose new higher tariff rates on a selective basis, or take other retaliatory actions. Such actions include the imposition of antidumping duties (special assessments against imports sold in the United States at less than fair value, thereby harming a U.S. industry); countervailing duties, which are assessments against imported goods receiving subsidies from their governments so that they can be sold in the U.S. at an unfairly low price, thereby injuring a U.S. industry; and cease and desist orders (demanding that the unfair practice be stopped) or exclusion orders (that bar a product from being imported into the United States), which can be imposed directly by the International Trade Commission, subject to presidential veto.

Determinations of subsidy are made by the Commerce Dept.’s International Trade Administration
Dumping, in theory

- Domestic price
- Marginal cost
- World price
- Domestic demand
- Marginal revenue on domestic sales
- Exports
CERTAIN ALUMINUM PLATE FROM SOUTH AFRICA Investigation No. 731-TA-1056 (Final): Determination (issued November 19, 2004)
Investigation No. 731-TA-1056 (Final): Scheduling of the final phase of an antidumping investigation. (issued June 8, 2004)

ARTISTS' CANVAS FROM CHINA
Investigation No. 731-TA-1091 (Final): Determination (issued May 12, 2006)
Investigation No. 731-TA-1091 (Preliminary): Determination (issued May 16, 2005)
Investigation No. 731-TA-1091 (Preliminary): Institution of antidumping investigation and scheduling of a preliminary phase investigation. (issued April 1, 2005)
KOSHER CHICKEN FROM CANADA  

SOFTWOOD LUMBER FROM CANADA  
The softwood lumber case:

Dispute concerned Canadian “stumpage” fees, which US considered too low

Question: even if they were, was this a marginal incentive to export?

Settled through NAFTA dispute mechanism
Figure 3: AD measures in force by groups of countries
Panel D: 1995-2001

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<th>Targeted Imposing</th>
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<td>421</td>
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