

The WTO

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The 1986 agenda

The 15 original Uruguay Round subjects

Tariffs

Non-tariff barriers

Natural resource products

Textiles and clothing

Agriculture

Tropical products

GATT articles

Tokyo Round codes

Anti-dumping

Subsidies

Intellectual property

Investment measures

Dispute settlement

The GATT system

Services

The Uruguay Round — Key dates

Sep 86 Punta del Este: launch

Dec 88 Montreal: ministerial mid-term review

Apr 89 Geneva: mid-term review completed

Dec 90 Brussels: “closing” ministerial meeting ends in deadlock

Dec 91 Geneva: first draft of Final Act completed

Nov 92 Washington: US and EC achieve “Blair House” breakthrough on agriculture

Jul 93 Tokyo: Quad achieve market access breakthrough at G7 summit

Dec 93 Geneva: most negotiations end (some market access talks remain)

Apr 94 Marrakesh: agreements signed

Jan 95 Geneva: WTO created, agreements take effect

2. Tariffs: more bindings and closer to zero

The bulkiest results of Uruguay Round are the 22,500 pages listing individual countries' commitments on specific categories of goods and services. These include commitments to cut and "bind" their customs duty rates on imports of goods. In some cases, tariffs are being cut to zero. There is also a significant increase in the number of "bound" tariffs — duty rates that are committed in the WTO and are difficult to raise.

Agriculture: tariffication, reduced tariffs, reduced export subsidies

Four steps over 10 years

The schedule for freeing textiles and garment products from import quotas (and returning them to GATT rules), and how fast remaining quotas had to be expanded.

The example is based on the commonly-used 6% annual expansion rate of the old Multifibre Arrangement. In practice, the rates used under the MFA varied from product to product.

Step	Percentage of products to be brought under GATT (Including removal of any quotas)	How fast remaining quotas should open up, if 1994 rate was 6%
Step 1: 1 Jan 1995 (to 31 Dec 1997)	16% (minimum, taking 1990 imports as base)	6.96% per year
Step 2: 1 Jan 1998 (to 31 Dec 2001)	17%	8.7% per year
Step 3: 1 Jan 2002 (to 31 Dec 2004)	18%	11.05% per year
Step 4: 1 Jan 2005 Full integration into GATT (and final elimination of quotas). Agreement on Textiles and Clothing terminates.	49% (maximum)	No quotas left

The actual formula for import growth under quotas was: by 0.1 x pre-1995 growth rate in the first step; 0.25 x Step 1 growth rate in the second step; and 0.27 x Step 2 growth rate in the third step.

Basic principles

- All services are covered by GATS
- Most-favoured-nation treatment applies to all services, except the one-off temporary exemptions
- National treatment applies in the areas where commitments are made
- Transparency in regulations, inquiry points
- Regulations have to be objective and reasonable
- International payments: normally unrestricted
- Individual countries' commitments: negotiated and bound
- Progressive liberalization: through further negotiations

Financial services Instability in the banking system affects the whole economy. The financial services annex gives governments very wide latitude to take prudential measures, such as those for the protection of investors, depositors and insurance policy holders, and to ensure the integrity and stability of the financial system. The annex also excludes from the agreement services provided when a government is exercising its authority over the financial system, for example central banks' services.

Types of intellectual property

The areas covered by the TRIPS Agreement

- Copyright and related rights
- Trademarks, including service marks
- Geographical indications
- Industrial designs
- Patents
- Layout-designs (topographies) of integrated circuits
- Undisclosed information, including trade secrets

Dispute settlement is the central pillar of the multilateral trading system, and the WTO's unique contribution to the stability of the global economy. Without a means of settling disputes, the rules-based system would be less effective because the rules could not be enforced. The WTO's procedure underscores the rule of law, and it makes the trading system more secure and predictable. The system is based on clearly-defined rules, with timetables for completing a case. First rulings are made by a panel and endorsed (or rejected) by the WTO's full membership. Appeals based on points of law are possible.



Time (0 = start of case)	Target/ actual period	Date	Action
-5 years -4 months		1990 September 1994	US Clean Air Act amended US restricts gasoline imports under Clean Air Act
0	"60 days"	23 January 1995	Venezuela complains to Dispute Settlement Body, asks for consultation with US
+1 month		24 February 1995	Consultations take place. Fail.
+2 months		25 March 1995	Venezuela asks Dispute Settlement Body for a panel
+2½ months	"30 days"	10 April 1995	Dispute Settlement Body agrees to appoint panel. US does not block. (Brazil starts complaint, requests consultation with US.)
+3 months		28 April 1995	Panel appointed. (31 May, panel assigned to Brazilian complaint as well)
+6 months	9 months (target is 6-9)	10-12 July and 13-15 July 1995	Panel meets
+11 months		11 December 1995	Panel gives interim report to US, Venezuela and Brazil for comment
+1 year		29 January 1996	Panel circulates final report to Dispute Settlement Body
+1 year, 1 month		21 February 1996	US appeals
+1 year, 3 months	"60 days"	29 April 1996	Appellate Body submits report
+1 year, 4 months	"30 days"	20 May 1996	Dispute Settlement Body adopts panel and appeal reports
+1 year, 10½ months		3 December 1996	US and Venezuela agree on what US should do (implementation period is 15 months from 20 May)
+1 year, 11½ months		9 January 1997	US makes first of monthly reports to Dispute Settlement Body on status of implementation
+2 years, 7 months		19-20 August 1997	US signs new regulation (19th). End of agreed implementation period (20th)

June 2001: President Bush asks the US International Trade Commission (USITC) to conduct a *global* safeguard investigation for 33 types of steel imports. The Senate Finance Committee duplicates this request.

October 2001: The USITC finds that imports are a substantial cause of serious injury to a segment of the US steel industry for 16 out of the 33 types of steel imports under investigation. In the finding, however, 5 types of steel imports are grouped into the single catchall category of flat-rolled steel, so only 12 product categories are eligible for safeguard remedies. For many of the steel products found to injure the US industry, imports from Canada and Mexico are found to contribute importantly to the injury.

December 2001: The six USITC commissioners provide remedy recommendations to President Bush. Two, Lynn Bragg and Dennis Devaney, recommend prohibitive tariffs (generally 30 to 40 percent). Three commissioners—Jennifer Hillman, Stephen Koplan, and Marcia Miller—recommend moderate tariffs (generally 10 to 20 percent). Commissioner Deanna Okun generally recommends moderate quotas. The commissioners suggest that imports from Canada and Mexico be excluded from the remedies.

January 2002: US Trade Representative Robert Zoellick writes a supplementary letter to the USITC asking several questions, most importantly whether the injury findings would be changed if steel imports from Canada and Mexico had been excluded from consideration. The commissioners respond that their injury findings would not have been affected.

March 2002: President Bush orders relief for 10 of the 12 categories of steel imports.¹ Imports from US partners in free trade agreements—Canada, Mexico, Israel, and Jordan—are excluded from coverage. Also excluded are imports from developing countries that individually supply small shares, less than 3 percent, of the US market. Finally, the Bush administration excludes a batch of highly specialized steel products on the grounds that they cannot be produced domestically in sufficient quantities. A USITC commissioner estimates that the safeguard tariffs cover 29 percent of US steel imports by volume (Hillman 2002). The safeguard duty rates are scheduled for reductions in March 2003 and 2004. Table 1 summarizes the original and reduced duty rates.

June 2002: The WTO establishes a panel to hear the case of eight complainants: the European Union, Japan, Korea, China, Switzerland, Norway, New Zealand, and Brazil.

Summer 2002: The Bush administration grants additional product exclusions in batches throughout the summer of 2002, in addition to the product exclusions granted in March 2002.² Altogether, 3.5 million short tons' worth of steel exclusions are granted, covering 727 products and constituting 25 percent of the tonnage covered by Bush's Section 201 remedy.³ Half the product exclusions (measured by volume) cover unfinished steel imported by US steel firms for further processing. In the first year of steel safeguards, tariffs covered approximately 45 percent of steel imports within the safeguard categories, both by tonnage and by value.⁴ Taking exclusions into account, safeguard tariffs cover 24 percent of total US steel imports by volume, 31 percent by value.⁵

July 2002: Trade promotion authority (TPA) receives final approval in the House and Senate, and the bill is signed into law on August 11. In the House, TPA passes by only three votes, 215 to 212, including the critical support of many members of the Congressional Steel Caucus.

May 2003: The WTO panel rules against the US safeguard remedies for all 10 types of steel imports. The nearly 1,000-page panel report and decision finds multiple faults in the USITC reasoning that led to the remedies' imposition.

August 2003: The United States appeals the panel's decision to the WTO Appellate Body. The Appellate Body is supposed to deliver its decision within 90 days of August 11. Most observers expect the Appellate Body to substantially uphold the panel's decision.

September 2003: The USITC issues two reports, totaling 890 pages, that evaluate the impact of the safeguard measures on steel producers and steel users. All sides claim that the USITC reports vindicate their preferred position.

The WTO Panel Decision

Those who disagree with the outcome of a WTO decision often attack the WTO dispute settlement system without bothering to address the specific legal issues in the case. The decision on steel safeguards is no exception. However, even casual knowledge of WTO agreements and prior WTO cases would suffice to expose flaws in the USITC's original reasoning. Hence, analysts outside the US government and steel industry widely predicted the adverse WTO panel ruling against the United States.³

The panel report contains more than 5,000 footnotes, citing as precedent over 50 previous WTO cases. Boiled to its essence, the panel found the safeguards were inconsistent with WTO rules for five reasons. (For each imported steel product covered by the safeguard, table 2 summarizes the violations the WTO cites.)

Increased imports. Under WTO provisions, an increase in imports is a prerequisite to a finding of serious injury or a threat of serious injury. The US statistics failed to demonstrate that imports were increasing for five types of steel imports, including flat-rolled steel, which constitutes the bulk of domestic production. While imports of flat-rolled

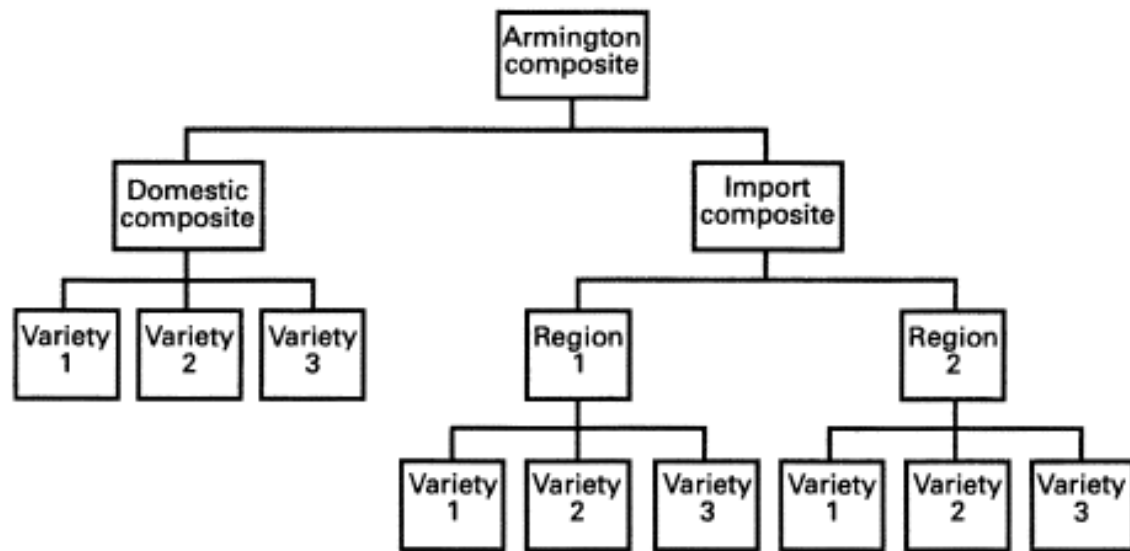


Fig. 1. Firm level product differentiation within an Armington structure.

Welfare Effects in 'Base' CRTS Static Model

(1992 \$bn)

Regions	AGR	MFA	MFRS	Full	Full (%)
Australia	0.7	0.0	0.4	1.1	0.4
New Zealand	0.3	0.0	0.1	0.4	1.0
Canada	0.2	0.9	-0.0	1.2	0.2
USA	1.7	10.1	0.8	12.8	0.2
Japan	15.2	-0.5	2.0	16.6	0.5
Korea	4.6	-0.5	0.5	4.6	1.5
European Union (12)	28.5	7.6	2.3	38.8	0.6
Indonesia	0.2	0.6	0.6	1.3	1.1
Malaysia	1.2	0.1	0.7	1.9	3.3
Philippines	0.6	-0.0	0.4	0.9	1.6
Singapore	0.6	-0.1	0.5	0.9	2.1
Thailand	0.7	0.1	1.7	2.4	2.1
China	-0.6	0.9	0.9	1.2	0.3
Hong Kong	0.6	-1.7	-0.2	-1.3	-1.4
Taiwan	0.0	-0.5	0.8	0.4	0.2
Argentina	0.4	0.0	0.2	0.6	0.3
Brazil	0.3	-0.0	1.1	1.3	0.3
Mexico	-0.0	-0.1	0.3	0.1	0.0
Latin America	1.4	-0.5	0.3	1.2	0.4
Sub-Saharan Africa	-0.3	-0.1	-0.0	-0.4	-0.2
Middle East and North Africa	-0.4	-0.5	0.6	-0.4	-0.1
Eastern Europe & FSU	-0.2	-0.6	0.5	-0.4	-0.1
South Asia	0.1	0.6	2.7	3.3	1.0
Other European	2.4	0.0	1.7	4.1	0.3
Developing Countries (Total)	9.2	-2.3	11.6	17.7	0.4
Industrialised Countries (Total)	49.1	18.3	7.2	75.2	0.4
World	58.3	16.0	18.8	92.9	0.4

AGR, Agricultural reform; MFA, MFA reform; MFRS, Manufacturing sector reforms; Full, Complete UR; Full (%), Complete UR as a percentage of base GDP.

Table 3
Quota Rents for Textiles and Clothing

	Textiles (TEX)				Clothing (WAP)			
	Value of quota rent (\$mn)	% exports constrained	Quota premium (%)		Value of quota rent (\$mn)	% exports constrained	Quota premium (%)	
			EU	USA			EU	USA
Korea	119	16	10	10	555	55	19	23
Indonesia	97	24	17	12	512	52	48	47
Malaysia	65	100	12	10	330	100	32	37
Philippines	7	50	10	9	363	81	28	34
Singapore	7	11	10	8	365	100	28	31
Thailand	53	40	13	9	396	42	36	35
China	378	19	27	18	2,223	31	36	40
Hong Kong	48	13	8	8	1,249	100	16	18
Taiwan	95	13	12	8	515	81	22	19
Brazil	65	100	14	9	43	77	18	20
Mexico	41	60	14	9	181	99	18	20
Latin America	46	45	14	9	619	86	18	20
Middle East and North Africa	84	78	7	5	390	97	9	10
Eastern Europe and FSU	87	78	9	6	430	97	12	13
South Asia	566	46	27	18	1,375	85	36	40