

II

(I)

US TRADE LAWS

(II)

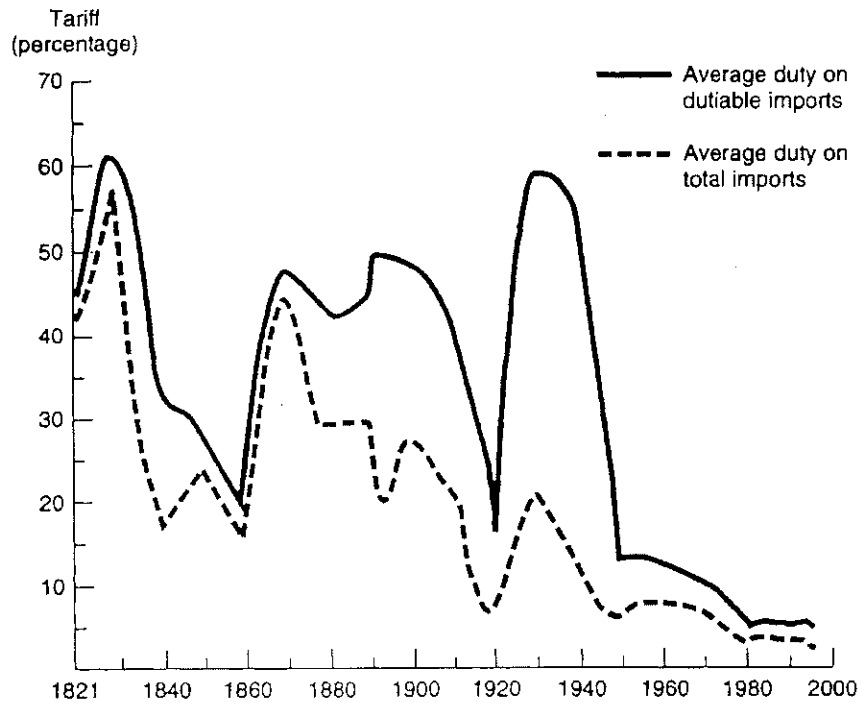
MULTILATERAL TRADE AGREEMENTS
GATT / WTO

(III)

PREFERENTIAL TRADE AGREEMENTS

Figure 13.1
Long-Run Trend in U.S. Tariffs

Average duty collected on dutiable imports was high until the 1930s, then fell sharply. Average duty on total imports has fallen more, because a larger proportion of imports has become duty-free.



①
→

RECIPROCAL TRADE AGREEMENT ACT
1934 :

↓ TAXIFFS USING
RECIPROCITY AND "MFN"

MFN: NON DISCRIMINATION
BETWEEN TRADING PARTNERS
IN "GOOD STANDING"

↙
GATT/WTO
AUTOMATIC

↘
MFN STATUS
APPROVED BY
CONGRESS

EXAMPLE MFN

→ • SECTION 301 :

UNILATERAL RETALIATION
AGAINST "UNFAIR" PRACTICES BY
OTHER COUNTRIES

→ • ANTI DUMPING : TAXIFF (EQUAL TO
DUMPING MARGIN) ON "DUMPED"
PRODUCTS

DEF: DUMPED IF

① ANTI-DUMPING

TARIFF ON "DUMPED" PRODUCTS

(PRODUCT SOLD AT A PRICE "UNFAIRLY" "LOW"

& THAT INJURES DOMESTIC INDUSTRY)

ACCORDING TO US LAW, DUMPING OCCURS IF :

OR 1) $P_{US} < P_{HOME} + \overbrace{TRANSPORT/TRADE COSTS}^{TC}$

OR 2) $P_{US} < P^{3ER\ COUNTRY} + TC$

OR 3) $P_{US} < AC + \underbrace{NORMAL\ PROFIT}_{PROFIT} + TC$

PLUS

4) DUMPED EXPORTS ARE "INJURING" US INDUSTRY

↓ ($\pi \downarrow$, \downarrow PRODUCTION, ETC : PROBLEMATIC)

REMARK: ALL PRICES ON RIGHT HAND SIDE CAN BE CONSIDERED "FAIR PRICES" \Rightarrow

DUMPING MARGIN = $|P_{US} - \text{"FAIR PRICE"}|$

- 3 -
ISSUE OF "ADMINISTRATIVE PROTECTION"

→ SAFEGUARDS / SECTION 201 / CHINA
421

"TEMPORARY PROTECTION"
WHEN "SUBSTANTIAL INJURY" TO
DOMESTIC INDUSTRY RESULTS
FROM IMPORTS.

PROCESS: ITC MAKES A
→ RECOMMENDATION

→ PRESIDENT DECIDES

YES &
HOW

NO PROTECTION

→ CVD COUNTERVAILING DUTIES
"TARIFF TO COMPENSATE A FOREIGN
SUBSIDY"

→ TRADE PROMOTION AUTHORITY
OR "FAST TRACK".

CONGRESS GRANTS THE PRESIDENT
THE AUTHORITY TO NEGOTIATE
FREE TRADE AGREEMENTS.

CONGRESS → YES
VOTES → NO

II MULTILATERAL AGREEMENTS
WTO
CONTINUATION

III PREFERENTIAL TRADE AGREEMENTS

→ TAA "TRADE ADJUSTMENT ASSISTANCE"
TEMPORARY HELP TO THOSE THAT LOST
THEIR JOBS DUE TO IMPORTS.

EX: A LENGTH UNEMPLOY. BENEFIT
- RETRAINING, ETC.

II GATT / WTO



PURPOSE:

- ① MOVE TOWARDS FREER TRADE
- ② SET RULES OF CONDUCT FOR INTERNATIONAL TRADE AND DISPUTE RESOLUTION.

PRINCIPLES:

- ① NON DISCRIMINATION
 - ↙ BETWEEN NATIONS: MFN
 - ↘ BETWEEN DOMESTIC AND IMPORTED GOODS: NATIONAL TREATMENT

II RECIPROCITY

III TRANSPARENCY

RULES OF CONDUCT : EXAMPLES

- 1) NO EXPORT SUBSIDIES ALLOWED! (EXCEPTIONS/WAIVERS)
- 2) NO IMPORT QUOTAS EXCEPT UNDER EXTREME MARKET DISRUPTIONS OR "BOP CRISIS"
- 3) TARIFF \uparrow NEED TO BE COMPENSATED BY TARIFF \downarrow IN OTHER SECTORS.

ARTICLES

- I - MFN
- VI - ANTIDUMPING
- XIX - SAFEGUARDS/ESCAPE CLAUSE
- XXIV - PTA EXCEPTION

History

ROUNDS

FIRST ROUNDS : TARIFF CUTS

KENNEDY

↓ 35%

TARIFFS

TOKYO

↓ 30%

...

URUGUAY : 1986/94

- CREATION OF WTO
- NEW TOPICS IN AGENDA
 - IPR'S
 - TRIPS
 - COMPETITION POLICY
 - ...

DOHA ROUND : DEVELOPMENT
→ ROUND

WTO / GATT DIFFERENCES

(1) WTO IS SINGLE UNDERTAKING

GATT WAS NOT



MEMBERS HAVE TO
SIGN ALL AGREEMENTS

(2) WTO HAS AN

"EXPANDED" SET RULES -

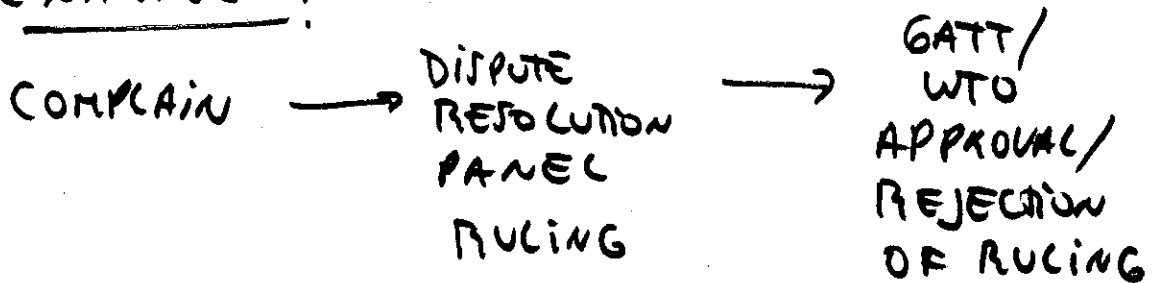
(3) DISPUTE SETTLEMENT MECHANISM / SANCTIONS

WTO HAS - STRONGER

- FASTER

- LARGER COUNTRIES
HAVE LESS POWER

EXAMPLE :



GATT: "CONSENSUS" WAS NEEDED TO "ACCEPT" THE PANEL RULING (i.e. GUILTY PARTY COULD OBJECT & THE PROCESS ENDED)

WTO: "CONSENSUS" IS NEEDED TO "REJECT" THE PANEL RULING -

(4) WAIVERS HARDER TO OBTAIN IN WTO