

# ECN330 – OUTLINE OF LECTURE SESSIONS FOR MODULE 4

## Sessions 9-10. Safeguards, Countervailing Measures, Anti-dumping and Competition Policy

### 1. Safeguards and Special Safeguards

- 1.1 Safeguard mechanisms: industrial goods
  - 1.1.1 Define SG mechanisms
  - 1.1.2 Serious injury to domestic industry
  - 1.1.3 Prohibition of "grey-area" measures
  - 1.1.4 Members initiating and applying SG mechanisms, 1995-2007
- 1.2. Special safeguards (SSGs)
  - 1.2.1 Define and differentiate from SGs
  - 1.2.2 Rules and commitments
  - 1.2.3 Procedures for an SSG action
  - 1.2.4 Actual application of measures: interpretation of price- or quantity-based trigger

### 2. Countervailing Measures

- 2.1. Countervailing measures (CVMs)
  - 2.1.1 Definition of a CVM
  - 2.1.2 Objective
- 2.2. Conditions for application of CVMs: demonstrating adverse effects
  - 2.3.1 Injury
  - 2.3.2 Nullification of benefits
  - 2.3.3 Serious prejudice
- 2.3. CVD as a response to a subsidy: economic meaning – **module 4 assignment**
- 2.4. CVMs initiated and applied: by country, by product

### 3. Dumping and Antidumping

- 3.1 Define dumping
- 3.2 Economics of dumping and "unfair" trading practices
  - 3.2.1 Price discrimination
  - 3.2.2 Predatory pricing
- 3.3 Motivations for dumping, by types of dumping
- 3.4 Anti-dumping as a response under the GATT and WTO
  - 3.4.1 Background on AD law
  - 3.4.2 Procedural and methodological problems with AD under WTO
    - [1] Injury is overstated; weak standard
    - [2] Authorities have too much discretion over injury determination
    - [3] Determination of normal value
    - [3] Technical/complex of rules allows abuse – high AD margins; settle through VERs
  - 3.4.3 Illustrative list of injury indicators
- 3.5 Dumping cases in the WTO: actions initiated and applied, by country and by product

### 4. WTO Agreements Related to Competition

- 4.1 Government Procurement Agreement (GPA)
  - 4.1.1 Plurilateral agreement
  - 4.1.2 Government purchases of goods/services open to foreign competition
- 4.2 WTO Agreement on State-Trading
  - 4.2.1 WTO definition of STE
  - 4.2.2 Disciplines requiring STE to base buying/selling on commercial considerations
  - 4.2.3 STEs and non-competitive behaviour: 2-price systems (dumping, price discrimination)
  - 4.2.4 State capitalism: trends and challenges
- 4.3 Competition policy under a multilateral system: basic issues in competition
  - 4.3.1 DSM or national courts?
  - 4.3.2 Theoretical problems measuring unfair trade practices: what is an unfair trade situation?
    - [1] What should competition authorities care about?
    - [2] How is unfair behaviour measured and what are the shortcomings?

#### 4.3.3 Examples of the shortcomings

- [1] Case 1. Problem with using the concentration ratio as a predictor of price efficiency
- [2] Case 2. Problem with defining the product market
- [3] Case 3. Problem with defining the geographical market
- [4] Case 4. National regulations conflict with international competition
- [5] Case 5. Problem with presuming dumping or cross-subsidization is unfair practice

#### 4.3.4 Differences in regulatory approaches / legal interpretation: US, EU

#### 4.3.5 Other multilateral issues to consider with regard to competition policy

### 5. Imperfect Competition: Monopoly, State-trading Enterprises and Trade

#### 5.1 State-trading import monopoly: monopoly importer and monopoly on domestic market

#### 5.2 Inter-play between monopoly and trade policy

##### 6.2.1 Cases of large export monopoly and large import monopoly

##### 6.2.2 Tariffs under the case of a small importing country with a monopoly producer

#### 5.3 Tariffs and quotas under monopoly: non-equivalence

#### 5.4 Concluding comments

### Review Questions: Module 4

**Sections 1-3.** What are safeguard measures? Why are they included in WTO agreements? What are special safeguard measures and how do they differ from regular safeguards? What is a CVM? How is a CVM different from a safeguard mechanism? What are the conditions to apply a CVM? How and why is a CVM an effective policy response to the actions of another country's action? How widely used are CVMs under the WTO? What is dumping and how does it relate to "unfair" trade practices in an international trade context? How is dumping different from an export subsidy? How is an AD measure different from a safeguard measure? What are the conditions to apply an AD measure? How widely used are AD measures? What concerns would competition authorities have related to dumping? What objections to the use of AD do many economists have? What are the conditions for the application of an anti-dumping (AD) duty? How widely used are AD duties? How does the use of AD differ from the use of a safeguard mechanism? How or why does the threat of an AD measure result in voluntary export restraints? Why is this an undesirable outcome? How does dumping relate to cross-subsidization? Is cross-subsidization evidence of non-competitive behavior by a firm?

**Section 4-5.** What is the Government Procurement Agreement (GPA)? What is state trading? How is the Agreement on State trading different from the GPA? How can an STE create unfair trade situations? What challenges does state capitalism pose for the WTO? What are "unfair" trading practices? What situations give rise to "unfair" trading practices? What economic criteria do competition authorities use to measure the effects of "unfair" trade practices? What are the problems with measuring unfair trade? Are "unfair" trading practices a justification for multilateral competition rules? How do competition issues affect the dispute settlement mechanism (DSM) within the WTO framework? How do differences in regulation differences in competition policy across member states? What is the interplay of trade policy and competition? What are examples of non-equivalence of tariffs and quotas in the case of a monopoly importer?