

Questions for PubPol/Econ 541
Nov 13

Safeguards

Jackson, Chapter 7

- Safeguards are a response to injury from imports. Why should injury from imports justify more protection than injury from other causes, such as technological change, changes in government spending programs, etc.? **<a: Perhaps not, but arguments are: 1) injury due to trade has been caused by government policy – a tariff cut – that helps many at the expense of a few; 2) the promise of safeguards is needed in order to achieve trade liberalization.>**
- Of the various “prerequisites” for safeguards protection, which seem to be most likely to constrain the use of safeguards? **<a: Prerequisites: increasing imports (can be absolute or relative); injury caused by increasing imports (“the major cause” until 1974, then lowered to “substantial cause” meaning not less than any other cause); due to unforeseen developments (easy); due to GATT obligations (easy). >**
- What are the arguments for and against safeguards protection being done on an MFN (nondiscriminatory) basis? **<a: For: there is no claim that exporters have done anything wrong, so targeting them is unfair. Against: if the import surge that caused injury was from only a subset of exporters, it is unfair to penalize those outside that set.>**
- Is it possible for safeguards protection to take the form of quotas and still be nondiscriminatory? **<a: If the quotas were global and auctioned, then yes, but that is rare. Granting them based on historical market shares looks good, except for countries that have recently expanded their exports.>**
- If the aim of safeguards is to facilitate “adjustment” by the industry, what does that mean, and to what extent is safeguard protection a good way to accomplish that? **<a: Adjustment seems to mean either become more competitive, or exit the industry. Tariffs may discourage either, though an explicit time limit might help.>**

USITC, “Understanding Safeguard Investigations,” undated.

- Is “serious injury” defined here? **<a: No.>**
- Is “substantial cause” defined here? **<a: Yes: important and not less than any other cause.>**
- Are injured firms the only ones who can request a safeguards investigation? **<a: No. Others include unions, groups of workers, the President, and committees of Congress.>**
- What forms of relief can be recommended? **<a: Tariffs, quotas, and “orderly marketing agreements”.>**
- Does the President have the option of doing nothing? **<a: Yes.>**
- Against whom may tariffs be levied under this process, and for how long? **<a: This doesn’t say.>**