An Economic Approach to International Trade Law

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1. Introduction

National trade laws and the GATT contain numerous provisions for dealing with unfair trading practices as well as provisions for dealing with the adverse effects of fairly traded imports. The provisions for dealing with unfair trade practices include those for subsidies and countervailing duties, dumping and intellectual property, while the major provision for dealing with fairly traded imports is safeguards. Table 1 summarizes the articles of the GATT and the sections of U.S. and Canadian trade law that contain these laws. In addition, the Appendix summarizes the procedures and contents of these statutes as they are applied in the U.S. and Canada.

Table 1: Provisions of the GATT, U.S. and Canadian Trade Law that Deal with Unfair Trading Practices and Safeguards

<table>
<thead>
<tr>
<th>Provision</th>
<th>GATT</th>
<th>U.S. Law</th>
<th>Canadian Law</th>
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</thead>
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<tr>
<td>Subsidies</td>
<td>Subsidies Code</td>
<td>Sections 701 and 303</td>
<td>Special Import Measures Act</td>
</tr>
<tr>
<td>- countervail</td>
<td></td>
<td>Section 301</td>
<td>Customs Tariff, Section 7(2)</td>
</tr>
<tr>
<td>- general</td>
<td>Subsidies Code</td>
<td>Section 731</td>
<td>Special Import Measures Act</td>
</tr>
<tr>
<td>Dumping</td>
<td>Anti-Dumping Code</td>
<td>Section 337</td>
<td>Customs Tariff, Section 7(2)</td>
</tr>
<tr>
<td>Trade that Violates</td>
<td>None</td>
<td>Section 207</td>
<td>Export and Import Permits Act, Section 8(2)</td>
</tr>
<tr>
<td>Intellectual Property Laws</td>
<td>Article XIX</td>
<td>Sections 201-203</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 403 (for communist countries)</td>
<td></td>
</tr>
</tbody>
</table>

The decisions made under national trade laws and the GATT are often the subject of controversy, and GATT decisions are frequently ignored by one of the countries involved. This is not surprising given that domestic political concerns often outweigh international ones. However, in countervailing duty disputes the decisions reached in several cases may not have been based on appropriate economic analysis. This paper examines
whether the same problem exists for trade laws dealing with subsidies and countervailing duties, dumping, intellectual property and safeguards under the GATT and U.S. and Canadian trade law. For example, U.S. countervailing duty law does not require that foreign subsidies cause material injury to the U.S. industry (van Duren and Martín, 1989). In general terms, in the U.S. it is not necessary to prove that the unfair trade act caused the requisite degree of injury before the domestic industry is given relief.

The paper is organized according to the following objectives. First, for each provision of trade law listed in Table 1 we ask whether the economic issues involved in that type of trade dispute can be identified and analyzed using economic theory? In particular, is it possible to identify an exogenous policy variable for each type of dispute, trace its impact on other economic variables and determine whether domestic producers warrant relief. We base our analysis on the social welfare function generally used in trade disputes, i.e. consumer interests are considered to be less important than producers’, if they are considered at all. Second, we summarize the major economic deficiencies of the laws listed in Table 1 for the GATT and U.S. and Canadian trade law. We do not discuss legal issues related to these laws.

2. Subsidies: Economic Issues

The GATT Subsidies Code and national trade laws focus on two types of subsidies: export subsidies and trade distorting domestic production subsidies. An export subsidy is provided by any government program that causes an outward shift or pivot or movement up a country excess supply function. In order for a domestic production subsidy to distort trade the government program must cause an outward shift or pivot or movement up a
country's domestic supply curve. Any of these effects would also have an impact on its excess supply or demand curve.  

Subsidies may cause injury to producers in other countries through three forms of trade distortions: increased imports, displaced exports through import substitution and displaced exports in a third market (Art. 8(4)). Track I of the Subsidies Code and national countervail laws deal with injury caused by subsidized imports, while Track II of the Subsidies Code and the enforcement clauses found in some national laws deal with the injury caused by displaced exports.

Whatever the form of trade distortion included in a subsidy dispute there are major three economic issues involved.

First, potential subsidies must be identified and the size of the total subsidy must be measured. The simplest approach is the "output price" approach, which requires determining what movement up the domestic or excess supply curve is required to achieve the increase in production or exports induced by the subsidy.

Second, the trade distortion caused by the subsidy must be measured.

Third, the injury caused by the trade distortion must be measured. An analysis of injury requires examining the impact of the trade distortion on prices, production and producers' income in the non-subsidizing country.

Figure 1 will be used to analyze the economic issues in two types of subsidy disputes: one, a countervail case and, two, a subsidy case about displaced exports in a third market. It is not used to explain the issues in a case about import substitution.

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1 This assumes that the domestic demand curve is not perfectly elastic.
Country 3 has a valid countervail case against country 1. Country 1 uses an input subsidy that distorts trade, of the amount $P_1 - P^*$. The subsidy causes country 3's imports to increase from $D_3 - S_3$ to $D_3^* - S_3^*$ and prices to decline from $P$ to $P^*$. As a result of the increase in subsidized imports production in country 3 declines from $S_3$ to $S_3^*$ and producers' surplus declines by the shaded area to the left of $S_3$. Country 3 could impose a countervailing duty of "GVD" to offset the injury caused by country 1's domestic production subsidy.

Country 2 has a valid subsidy case against country 1. Country 1 uses a subsidy which reduces world prices and decreases country 2's exports to country 1 from $S_2 - D_2$ to $S_2^* - D_2^*$. As a result of the displacement in exports, country 2's production declines from $S_2$ to $S_2^*$ and its producers' surplus declines by the shaded area to the left of $S_2$. Country 2 can restore its domestic price level and trade level by imposing a "offsetting" export subsidy. However, it cannot use an export subsidy to restore its original
welfare position.

Both country 3's countervailing duty and country 2's "offsetting" export subsidy can remove the competitive advantage created by country 1's domestic subsidy and restore the original price and trade position of their domestic industries. However, both the countervailing duty and the export subsidy further reduce world prices and further injure countries that do not have recourse to these instruments.

2.1 Economic Deficiencies of the GATT Subsidies Code

It is our contention that the Subsidies Code does not contain sufficient economic content to provide satisfactory solutions to most subsidy disputes. There are three reasons.

First, it does not explicitly define an export subsidy, providing only an illustrative list of export subsidies in the Annex. Also, it does not define a trade distorting domestic production subsidy. Article 11 merely lists several domestic subsidies that have legitimate objectives, including: restructuring of certain industries or regions, research and development, and retraining and change of employment; while noting that such programs may have adverse impacts on producers in other countries.

Second, it only discusses injury with respect to countervail cases. In this respect the Subsidies Code is fairly good. It lists several factors that may be relevant, but states that "no one or several of these factors can necessarily give decisive guidance" (Art. 6(1-3)) It does not, however, define "material injury", the degree of injury relevant to countervail and anti-dumping cases. For other subsidy disputes the general dispute settlement provisions of the Subsidies Code apply (Arts. 12 and 13). These provisions
rely on the "goodwill" of the disputants and contain no economic guidelines.

Third, the Subsidies Code contains a clear statement of the causality test for countervail cases (Art. 6(4)), but again, only the general dispute settlement provisions apply for other types of subsidy dispute. In a countervailing duty case

[it] must be demonstrated that the subsidized imports are, through the effects of the subsidy, causing injury within the meaning of this Agreement. There may be other factors which are at the same time injuring the domestic industry, and the injury caused by other factors must not be attributed to the subsidized imports (Art 6(4)).

In order to improve the economic content of the Subsidies Code a similar clause should be added for subsidies that cause injury by displacing exports. This would be an improvement on the general dispute settlement mechanisms that currently must be used to settle these types of subsidy disputes. Article XXII and XXIII of the GATT provide a forum for consultation and negotiation on dispute but rely mostly on the political "goodwill" of the disputants to resolve their differences.

2.2 Economic Deficiencies of U.S. Law

The provisions of U.S. trade law that deal with subsidies are contained in Sections 701 and 303 (the countervail clauses) and Section 301 (the enforcement clause). Section 303 can be used to deal with subsidies and other unfair trade practice if their use is inconsistent with, or violates, an international agreement or is an unjustifiable, unreasonable or discriminatory burden or restriction on U.S. commerce (19 U.S.C § 2411). The countervail clause can only be used if foreign subsidies are accompanied by imports, or the threat of imports, into the U.S.

U.S. countervail law has several serious economic deficiencies. First,
the U.S. International Trade Administration (USITA) uses a specificity test to determine whether foreign government programs confer trade distorting domestic production subsidies. If a program's benefits are "provided to a specific industry or enterprise or group of industries or enterprises" it is countervailable (19 U.S.C §1671(a)(2)). The test ignores the issue of whether a program causes an increase in production, and thus a trade distortion.

Second, under U.S. law numerous factors must be considered in an injury investigation, so many that the U.S. International Trade Commission (USITC) appears not to be able to concentrate on the most relevant factors.

Third, the USITC's causality test is fundamentally flawed in two ways. The USITC makes no attempt to determine whether the subsidy caused, or could cause, an increase in imports. Also, U.S. law does not require that the subsidized imports cause material injury to U.S. industry, the imports merely have to be a contributing factor (Atlantic Sugar v. the United States, Court of International Trade).

When applied in subsidy cases the U.S. enforcement clause is generally used to invoke formal consultations through the GATT. Consequently, the economic deficiencies of dispute settlement provisions of the Subsidies Code also apply to the U.S. enforcement clause.

2.3 Economic Deficiencies of Canadian Law

Canada can deal with subsidies through its countervail law, contained in the Special Import Measures Act (SIMA, 1984), and Section 7(2) of the Customs Tariff, which contains provisions similar to the U.S. enforcement clause. Although relatively few cases have been heard, Canada's countervail law appears to be developing one serious economic deficiency. Revenue Canada
appears to be adopting the U.S.' specificity test, albeit with adjustments, in order to determine which programs are countervailable. In the few countervail cases that have been heard the Canadian Import Tribunal has applied an economic approach, like depicted in Figure 1, in its injury and causality determinations.

Enforcement action under the Customs Tariff can be taken only at the discretion of the Cabinet. Consequently, Canadian law suffers from the same deficiencies as U.S law and the GATT in that the economic issues can easily be dominated by political concerns.

3. Dumping: Economic Issues

Dumping occurs when a firm sells a product in its home market for a higher price than it charges in the world market. Dumping can occur for several reasons. It can be carried out by state trading agencies, which can allocate sales to the domestic market at a relatively high price and to export markets at lower prices. Dumping can be practised by firms that have enough market power to engage in international price discrimination. Dumping can also be explained by predatory pricing and hidden export subsidies.

To practice price discrimination a firm must have some market power, face different price elasticities of demand in different markets and be able to prevent arbitrage across markets. Since the abuse of market power is at the core of a dumping case, the effects of using market power to price discriminate must be assessed against a situation in which price

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2 The Canadian Import Tribunal was replaced with the Canadian International Trade Tribunal on January 1, 1989.

discrimination does not occur.

There are three economic issues involved in a dumping dispute. First, the existence of dumping must be established as well as the margin of dumping; the difference between the price in the domestic and the foreign market.

Second, the trade distortion, or increase in imports, caused by dumping must be measured.

Third, the injury caused by this trade distortion must be measured. The economic issues can be explained with the aid of Figure 2.

**Figure 2: Economic Issues in a Dumping Case**

If the monopolist in country 1 does not engage in price discrimination it determines prices and quantities produced, sold domestically and exported by equating its marginal cost of production (MC1) to the marginal revenue earned from sales in both markets (TMR). Thus, the quantity "S" is produced, D1 is sold in the domestic market and the difference between production and
domestic consumption (OT) is exported, all at a price of "P".

If the monopolist in country 1 engages in price discrimination it determines production as before but determines prices and sales in each market by equating its marginal cost of production (MCL) to marginal revenue from each market (MR1 and MR2). Consequently, country 2 has a valid dumping case against country 1. Since prices in country 1 and 2 differ by more than transfer costs (assumed to equal zero) dumping is occurring. The margin of dumping is P1 - P2. As a result of country 1's "dumping" the price in country 2 decreases from P to P2, imports increase from OT to OT*, production declines from S2 to S2* and producers' surplus declines by the shaded area. Country 2 can impose an anti-dumping duty of "AD" in order to offset the injury caused by country 1's price discrimination.

3.1 Economic Deficiencies of the GATT Anti-Dumping Code

The Anti-Dumping Code is organized in the same way as the Subsidies Code. It requires three determinations. First, the margin of dumping must be calculated (Art. 2). Second, injury to the domestic industry competing with the dumped imports must be measured (Art. 3(1-3)). Third, the causal link between the injury and the practice of dumping must be established (Art. 3(4)). According to the Anti-Dumping Code the dumping margin is to be calculated, in order of preferred use, by determining the difference between the price in the country bringing the dumping action and:

1. the price in the price discriminating firm's domestic market, adjusted for factors such as the exchange rate, level of trade and conditions of sales etc. (Art. 2(1,6)).

2. a comparable price in a third country adjusted for several factors, if there are no or an insufficient number of sales in the domestic market (Art. 2(4,6).
3. a constructed price based on the cost of production plus a reasonable amount for expenses and profits (Art. 2(4,6)).

The provisions for injury, causality and dispute settlement are virtually identical to those contained in the Subsidies Code (see Art. 3).

The major economic deficiencies of the Anti-Dumping Code are as follows.

First, and most importantly, the Anti-Dumping Code does not require that the margin of dumping be proven to result from price discrimination or a specific practice that is considered to be an unfair trade practice such as a hidden export subsidy or predatory pricing.

Second, the third country price approach could yield perverse results if the price elasticity of demand in the third country market exceeds the elasticity in the market in which country 1 is dumping. Third, the constructed price approach could easily overestimate the domestic price because the prices of fixed factors could reflect excess profits earned through market power and ignore demand side constraints. With respect to the provisions for injury, causality and general dispute settlement the weaknesses are similar to those of the Subsidies Code.

3.2 Economic Deficiencies in U.S. and Canadian Law

Section 731 of U.S. trade law and Canada's SIMA deal with dumping. The three determinations required by the Anti-Dumping Code are also required under U.S. and Canadian law. The provisions of the Anti-Dumping Code that apply to calculating the margin of dumping are codified in profuse detail in U.S. law (19 U.S.C § 1677) and in a fair amount of detail in Revenue Canada's SIMA Regulations (Memo. D14-1-1). Thus, U.S. and Canadian anti-dumping law suffer from the same economic deficiencies as the Anti-Dumping Code. For
example, if the constructed value approach must be used to establish a price for the product in the dumping country's home market, both U.S. and Canadian laws must assume that firms earn an 8 percent profit over total costs.

The injury and causality provisions of U.S. anti-dumping law are identical to those for countervail cases, except that dumped imports are at issue. Consequently, they suffer from the same economic deficiencies. Most importantly, the USITC makes no attempt to determine whether dumping caused, or could cause, an increase imports. Again, U.S. law does not require that the dumped imports cause material injury to U.S. industry, the imports merely have to be a contributing factor.

The CIT does attempt to follow the guidelines of the Anti-Dumping Code and use an economic approach, such as depicted in Figure 2, when making its injury and causality determinations in anti-dumping cases.

4. Intellectual Property; Economic Issues

Currently, the GATT does not contain any provisions for dealing with trade that violates intellectual property. Section 337 of U.S. trade law deals almost exclusively with imports that violate the U.S. intellectual property laws. Presumably, in Canada these issues must be addressed through enforcement actions. The economic issues involved in a dispute about imports that violate national intellectual property laws are explained with the aid of Figure 3.

Assume that country 2 patents a process that improves productivity and begins to use it extensively. As a result its supply curve shifts outward from $S_2$ to $S_2^*$, its excess demand curve shifts from $ED_2$ to $ED_2^*$, and a world price of $P$ is established. At this price country 2 produces $S_2$, consumes $D_2$, 

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its supply curve shifts outward from S1 to S1*, and its excess supply curve shifts outwards from ES1 to ES1*. Consequently, the world price declines from P to P*.

Country 2 has a valid unfair trading practice case against country 1. Producers in country 2 are injured by country 1’s violation of the patent. The world price declines from P to P*, imports increase from D2-S2 to D2*-S2*, production decreases from S2 to S2* and producers surplus declines by the shaded area.

4.1 Economic Deficiencies in U.S. Law

For a U.S. industry to obtain relief from imports in a section 337 action the USITC requires: (1) proof of the unfair act, most often the violation of intellectual property, (2) evidence that this violation affects the products that are imported, and (3) evidence that the effect of these imports is to "destroy or substantially" injure a U.S. industry that is
economically and efficiently operated. The substantial injury standard has been held to be lower than the material injury standard because intellectual property owners have the right to exclude competitors entirely from using the intellectual property (Textron Inc. v. United States).

The requirements for relief from unfairly traded imports in a section 337 case seem to be economically reasonable; e.g. the violation of the patent must affect the imports of the product involved in the dispute. Unlike countervail and anti-dumping cases decisions are subject to direct political intervention, and thus economically sensible decisions could easily be overturned.

5. Safeguards: Economic Issues

Article XIX of the GATT and U.S. and Canadian trade laws all contain provisions for dealing with the temporary, adverse effects of an increase in imports that result from "unforeseen" effects of obligations and concessions made under a trade agreement. The economic issues in a safeguard case can be explained with Figure 4.

Countries 1 and 2 implemented a free trade agreement. As a result country 1's and 2's supply and demand curves are given by S1, S2, D1 and D2, the world price is P and trade is 0T. Country 2 is the importer, it produces S2, consumes D2 and imports the difference, D2-S2. Later, as a result of cheaper input prices induced by the free trade agreement country 1's supply curve shifts outward from S1 to S1*. Its excess supply curve shifts outward from ES1 to ES1*, and as a result the world price declines from P to P*.

The economic basis of country 2's safeguards case against country 1 is as follows. First, imports increase from D2-S2 to D2*-S2*. Second, this
increase in imports was the result of lower input prices in country 1 that were not an anticipated result of the free trade agreement. Third, if producers in country 2 are not provided temporary relief from imports and time to increase their productivity they will suffer a decline in production from S2 to S2* and a decline in producers surplus of the shaded area.

5.1 Economic Deficiencies of Article XIX of the GATT

The GATT is fairly clear on the economic conditions that must be met before a country can take temporary action to halt or reduce imports. First, the imports must be the result of obligations or concessions involved in a trade agreement and they must result from effects that were "unforeseen" at the time the agreement was negotiated.

Second, the increase in imports must cause or threaten to cause "serious injury" to the domestic industry. Serious injury is a higher standard of injury than material injury, which is required by the Subsidies Code and Anti-Dumping Code.

Third, action by the importing country may only be taken to the extent
and for the time required to prevent or remedy the injury (Art. XIX(1)).

The major economic problems with Article XIX are as follows.

First, the factors to be considered in the injury investigation are not provided.

Second, it does not explain how the "serious injury" finding required in a safeguards case differs from the "material injury" finding required in a countervail or anti-dumping case.

Third, the analytical procedures required to demonstrate that the serious injury results from unforeseen developments caused by changes induced by a trade agreement are not provided.

5.2 Economic Deficiencies of U.S. Law (Section 201)

The U.S. safeguards clause requires that three conditions be met before temporary action can be taken against imports.

First, imports must be entering the U.S. in increasing quantities, either in absolute terms or relative to production or consumption. Second, the U.S. industry must face serious injury.

Third, the increased imports must be a substantial cause of the serious injury (19 U.S.C § 2251(b)(1)).

Although Article XIX of the GATT was modelled on the U.S. safeguards clause, that existed in 1947, since 1974 U.S. law has not required that the increase in imports result from trade concession made by the U.S. (Vakerics, p. 274). Now the presumption is that unforeseen increases in imports are the result of all previous trade concessions given by the U.S.

There are two major economic deficiencies in the U.S. safeguards clause. First, it does not require a causal link between unanticipated effects of trade concessions made by the U.S. and the increase in imports.
Second, the serious injury standard requires only that the imports are a cause of injury "which is important and not less than any other" (19 U.S.C § 2251(b)(4)). The third deficiency appears to have been rectified in the 1988 Trade Act. Now domestic industries must file an adjustment plan when petitioning for relief from fairly traded imports. This should reduce the economic incentive to use Section 201 as a protectionist device.

As a result of the economic deficiencies and the scope for Presidential decision on the form of import relief the safeguard clause can easily be used as an instrument of U.S. protectionism.

5.3 Economic Deficiencies of Canadian Law

In Canada relief from fairly traded imports is available through a surtax, under Section 8(2) of the Customs Tariff, or a quantitative restriction on imports, under Section 5(2) of the Export and Import Permits Act. Neither the surtax nor quota authority appears to require that the increase in imports result from unanticipated effects due to trade concessions made by Canada. Since STMA was passed the CIT is required to determine whether Canadian producers of the like product face serious injury as a result of the imports. Since no safeguards cases have been heard in Canada it is impossible to say whether decisions follow an economic approach, but given the statute and the requirement of a Cabinet decision on the issue, Canadian decisions could easily be protectionist.

6. Conclusions

On the basis of this brief analysis of the economic requirements of the provisions of the GATT and U.S. and Canadian trade law that apply to subsidies, dumping, intellectual property it is possible to conclude that
economic theory can be used to establish a sensible framework for identifying the issues in any type of trade dispute. The economic approach requires:

1. identifying the unfair trading practice or the unanticipated effects of a trade concession in a safeguards case

2. assessing the impact of the items identified in (1) on trade flows and world prices

3. determining whether the change in trade flows and world prices that results from the items identified in (a) causes the degree of injury required for relief under the relevant law.

The GATT can be interpreted as being consistent with the economic approach to analyzing trade disputes but most of its provisions are not sufficiently clear in explaining the components of the economic approach that are required. U.S. trade law ignores the economic approach. It does not require that the unfair trading practice or the unanticipated effects of a trade concession cause the degree of injury required for relief. Some provisions of Canadian trade law, such as the countervail and anti-dumping provisions, attempt to be consistent with the economic approach to analyzing trade dispute. The Customs Tariff and the Export and Import Permits Act, which contain Canada’s provisions for enforcement, trade and intellectual property and safeguards cases, do not require an economic approach.
### Table 1: Overview of U.S. Trade Statutes

<table>
<thead>
<tr>
<th>Section and Statute</th>
<th>Escape Action (Section 201)</th>
<th>Enforcement Action (Section 301)</th>
<th>Antidumping (Section 731)</th>
<th>Countervailing Duty (Section 701 and 303)</th>
<th>Unfair Practices (Section 337)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>- to deal with the temporary adverse effects of &quot;fair&quot; import competition</td>
<td>- to enforce US rights gained under international trade agreements</td>
<td>- to deal with the domestic effects of international price discrimination, etc.</td>
<td>- to deal with the domestic effects of subsidization by foreign governments</td>
<td>- to deal with unfair trade practices that infringe on US patent and copyright laws</td>
</tr>
<tr>
<td><strong>Initiating Party</strong></td>
<td>- domestic industry</td>
<td>- any &quot;interested&quot; domestic party can deliver petition to US Special Trade Representative</td>
<td>- any &quot;interested&quot; domestic party can deliver petition to USITC or it may be self-initiated</td>
<td>- any &quot;interested&quot; domestic party can deliver petition to USITC or it may be self-initiated</td>
<td>- any &quot;interested&quot; domestic party can deliver petition to USITC or it may be self-initiated</td>
</tr>
<tr>
<td></td>
<td>- President, Special Trade Representative</td>
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<tr>
<td></td>
<td>- House Ways &amp; Means or Senate Finance Committee</td>
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<tr>
<td></td>
<td>- self-initiated by USITC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Use of Injury Test</strong></td>
<td>- serious injury</td>
<td>- none</td>
<td>- material injury</td>
<td>- material injury for Agreement countries(1)</td>
<td>- substantial injury</td>
</tr>
<tr>
<td><strong>Relief Options</strong></td>
<td>- countervailing duty</td>
<td>- suspend or withdraw previously negotiated concessions</td>
<td>- antidumping duty</td>
<td>- countervailing duty</td>
<td>- USITC can issue an exclusion or a cease and desist order</td>
</tr>
<tr>
<td></td>
<td>- tariff rate quotas</td>
<td>- import quota</td>
<td>- US Special Trade Representative</td>
<td>- USITC and USITC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- import quotas</td>
<td>- countervailing duty</td>
<td>- USITC and USITC</td>
<td>- USITC, Federal District Court</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- negotiate orderly marketing arrangements</td>
<td>- authorize change in legislation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investigating Agency</strong></td>
<td>- USITC</td>
<td>- US Special Trade Representative</td>
<td>- USITC and USITC</td>
<td>- USITC, Federal District Court</td>
<td>- USITC, Federal District Court</td>
</tr>
<tr>
<td><strong>Role of Executive Branch</strong></td>
<td>- may impose relief</td>
<td>- obligated to take all feasible action to provide relief</td>
<td>- none</td>
<td>- can designate countries that are to receive a material injury test</td>
<td>- may veto USITC decisions for policy reasons</td>
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<td></td>
<td>- must decide whether relief is in the national interest</td>
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</tr>
<tr>
<td><strong>Role of Congress</strong></td>
<td>- majority vote can overturn Executive decision</td>
<td>- may be required to legislate solution suggested by USITC</td>
<td>- can amend law</td>
<td>- can amend law</td>
<td>- veto Presidential decision with a 70 percent vote</td>
</tr>
<tr>
<td></td>
<td>- can amend law</td>
<td></td>
<td>- can amend law</td>
<td></td>
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</tbody>
</table>

(1) Agreement countries are those that have signed the GATT Subsidies Code or have received equivalent status under U.S. law.