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The WTO Agreement on Safeguards: An Empirical Analysis of Discriminatory Impact*

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Abstract

The Uruguay Round Agreement on Safeguards represents an effort to improve the GATT safeguards (SG) process and thereby encourage countries to choose this option over antidumping and “gray-area” measures such as bilaterally negotiated export restraints. This paper offers a first detailed analysis of the way safeguards initiated under the agreement have been implemented in practice. We examine the actual trade effects of 14 safeguard actions, covering 85 different 6-digit Harmonized System product categories, implemented by WTO signatories between 1995 and 2000. Our main focus is the extent to which safeguard actions conform to the GATT/WTO most-favored-nation (MFN) principle. We identify two types of discrimination that arise in the application of safeguards: explicit departures from MFN treatment through formal exclusion of some exporters, and implicit departures from MFN as reflected by systematic differences in impact across trading partners. Our results indicate that the impact of SG action on a given exporter depends on the specific form of the safeguard policy. A SG implemented as a quota tends to preserve historical market shares more than a SG implemented as a tariff. When a SG is implemented as a quota, countries that have recently increased market share face reductions in market share relative to other suppliers. More generally, SG actions tend to favor established suppliers, whether large or small, over new suppliers and those whose market share has recently increased. We also find evidence that formal exemptions for developing countries and partners in a preferential trading arrangement allow these countries to gain market share at the expense of other suppliers.

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