



**THE IMPLEMENTATION OF WORLD TRADE
ORGANIZATION DISPUTE SETTLEMENT MECHANISM IN
THE CASE OF TURKEY AND THE EUROPEAN UNION
TRADE DISPUTE ON SAFEGUARD MEASURES FOR
CERTAIN STEEL PRODUCTS (2020-2023)**

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CHAPTER I

INTRODUCTION

Background of the Study

Globalization has driven the integration process, including the economy and trade.

As a result, international trade is growing rapidly, leading countries to engage in economic interdependence (Surugiu & Surugiu, 2015).

On the other hand, interactions in international trade are increasingly complex and competitive.

In order to compete sustainably in the global marketplace, countries must offer their competitive advantages (Dzaleva & Lazaroski, 2009).

To facilitate this condition, economic liberalization was introduced.

In 1980s, countries intensified the implementation of trade liberalization, free trade, open markets, and market-oriented economic reforms (Shafaeeddin, 2012).

Trade liberalization is the process of removing or reducing trade barriers between countries to promote free trade (Acharya, 2015).

Free trade occurs when there are no specific barriers, such as controls on import tariffs, export subsidies, quota measures, or other trade restrictions.

Trade liberalization provides benefits to many countries, such as opening market access, encouraging innovation, developing competitive advantages in certain products, and contributing to economic growth (Drozdz & Miksinis, 2011).

However, international trade also involves national interests, especially when countries seek to achieve maximum profits (Duttgupta & Panagariya, 2003).

As a result, in several cases, countries conduct policies that benefit themselves while other countries are injured.

To promote free trade, 23 countries signed the General Agreement on Tariffs and Trade (GATT) in October 1947.

As more countries signed the GATT, the number of trade disputes increased.

Therefore, the World Trade Organization (WTO) was established to replace GATT on January 1, 1995 (WTO, 2014).

The WTO is authorized to ensure smooth trade flow through a non-discriminatory trading system.

In addition, the WTO is also authorized to resolve trade disputes among its member countries through its DSM (WTO Secretariat, 2021).

One of the trade dispute cases handled by the WTO is safeguard measures.

Safeguard measures are temporary tariffs or quotas that aim to protect the domestic industry against external competition (Crowley, 2003).

The WTO defines safeguard measures as temporary import restrictions on a product to protect the domestic industry from increased imports.

Safeguard measures are regulated under Article XIX of the GATT, but these measures are rarely used.

Instead, some governments prefer to use "a gray area" measures by voluntarily restricting exports of specific products such as automobiles, steel, and semiconductors (WTO, 2020d).

Through a gray area measures, countries tend to avoid fulfilling the requirement to apply safeguard measures.

Due to this growing practice, the WTO established the Safeguard Agreement for a more efficient system of safeguard measures (Ginzburg, 1992).

The Agreement on Safeguard defines serious injury and its threat to the domestic industry that does not exist in the GATT.

Furthermore, the Agreement on Safeguards establishes time frames and procedural provisions for dispute settlement (Agreement on Safeguards, 1994).

The Agreement on Safeguards gives special treatment to developing countries, which to some extent can protect developing countries' exports from safeguard measures (WTO, 2016).

However, in most cases, exporting countries tend to protest against safeguard measures imposed by importing countries.

As of February 2023, the number of disputes related to safeguard measures submitted to the WTO was 62 cases.

Based on the latest WTO data, the dispute between the EU and Turkey over certain steel products was the most recent case settled by the WTO (WTO, 2015).

In 2021, the EU had the second-highest international trade value for goods globally after China.

Based on data from Eurostat and UNCTAD, the value of EU exports reached €2.181 billion, accounting for 14.6% of international exports.

Meanwhile, its import value reached €2.118 billion or 14.9% of international imports (Eurostat, 2022).

The European Steel Association (EUROFER) notes that 69% of the majority of EU imports in 2021 are manufactured products, such as chemicals, machinery, vehicles, and other manufactured products (EUROFER, 2022).

In addition, steel is one of the major imports into the EU.

According to data from a division of the US Department of Commerce, the EU imported 11.5 million Mt of steel worldwide in 2018, being the most of any country.

Then, the EU imported 30.3 million Mt for finished steel products in 2021 (International Trade Administration, 2019).

Regarding GDP, Turkey will have the 19th-largest economy globally when it reached US\$720 billion in 2020.

According to OEC data, in 2020, the value of Turkey's goods exports reached US\$177 billion, placing the country in 29th place out of 226 countries.

Meanwhile, in the goods import sector, Turkey ranked 23rd out of 226 countries with a total of US\$207 billion

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ABSTRACT

Title: The Implementation of World Trade Organization Dispute Settlement Mechanism in The Case of Turkey and The European Union Trade Dispute on Safeguard Measures for Certain Steel Products (2020-2023)

The imposition of provisional safeguard measures on July 17, 2018, and definitive safeguard measures on January 31, 2019, for certain steel products by the European Commission (EC) has led to a trade dispute with Turkey. These safeguard measures in the form of duty-free tariff-rate quotas and additional duties out of quota at 25% are considered to threaten Turkey's domestic industry because the European Union (EU) has become the main destination for Turkish steel exports. Therefore, Turkey brought the dispute to the World Trade Organization (WTO) negotiating table on March 13, 2020. As an international organization that regulates trade between countries, the WTO has a Dispute Settlement Body (DSB) to deal with disputes between members through a Dispute Settlement Mechanism (DSM). Thus, this research addresses the issue of how the DSM followed by the WTO DSB in resolving this EU-Turkey dispute case.

Through qualitative research methods and literature studies used as data collection techniques, this study aims to understand the WTO DSM, investigate the results of the EU-Turkey dispute settlement through the WTO DSB, and analyze the international relations theories on the role of the WTO in dispute settlement. The concept of international organization and the neoliberal institutionalism theory are used to examine the practice of DSM by the WTO DSB in the EU-Turkey case. This study finds that the WTO DSB has fulfilled its primary role and independence characteristics as an international organization in resolving this dispute. Furthermore, this study also validates the assumptions of neoliberal institutionalism theory regarding the importance of international institutions to promote cooperation among states and ensure state compliance with regulations, despite the potential for state cheating.

Keywords: *Dispute Settlement Body, International Organizations, Neoliberal Institutionalism, Safeguard Measures, World Trade Organization*

ABSTRAK

Judul: *The Implementation of World Trade Organization Dispute Settlement Mechanism in The Case of Turkey and The European Union Trade Dispute on Safeguard Measures for Certain Steel Products (2020-2023)*

Pengenaan tindakan pengamanan sementara pada 17 Juli 2018, dan tindakan pengamanan definitif pada 31 Januari 2019, untuk produk baja tertentu oleh Komisi Eropa (*European Commission/EC*) telah menimbulkan sengketa dagang dengan Turki. Tindakan pengamanan berupa kuota tarif bebas bea masuk dan bea masuk tambahan di luar kuota sebesar 25% ini dinilai mengancam industri dalam negeri Turki karena Uni Eropa (UE) menjadi tujuan utama ekspor baja Turki. Oleh karena itu, Turki membawa sengketa tersebut ke meja perundingan *World Trade Organization* (WTO) pada 13 Maret 2020. Sebagai organisasi internasional yang mengatur perdagangan antar negara, WTO memiliki Badan Penyelesaian Sengketa (*Dispute Settlement Body/DSB*) untuk menangani sengketa antar anggota melalui Mekanisme Penyelesaian Sengketa (*Dispute Settlement Mechanism/DSM*). Oleh karena itu, penelitian ini membahas masalah bagaimana DSM diikuti oleh DSB WTO dalam menyelesaikan kasus sengketa Uni Eropa-Turki.

Melalui metode penelitian kualitatif dan studi literatur yang digunakan sebagai teknik pengumpulan data, penelitian ini bertujuan untuk memahami DSM WTO, mengetahui hasil penyelesaian sengketa Uni Eropa-Turki melalui DSB WTO, dan menganalisis teori hubungan internasional terhadap peran WTO dalam penyelesaian sengketa. Konsep organisasi internasional dan teori institusionalisme neoliberal digunakan untuk mengkaji praktik DSM oleh DSB WTO dalam kasus Uni Eropa-Turki. Studi ini menemukan bahwa DSB WTO telah memenuhi peran utama dan karakteristik independensinya sebagai organisasi internasional dalam menyelesaikan sengketa ini. Lebih lanjut, studi ini juga memvalidasi asumsi teori institusionalisme neoliberal mengenai pentingnya institusi internasional untuk mendorong kerja sama antarnegara dan memastikan kepatuhan negara terhadap peraturan, meskipun terdapat potensi kecurangan negara.

Kata Kunci: Badan Penyelesaian Sengketa, Organisasi Internasional, Neoliberal Institusionalisme, Tindakan Pengamanan, *World Trade Organization*

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LIST OF ABBREVIATIONS

AB	Appellate Body
ACWL	Advisory Center on WTO Law
DSB	Dispute Settlement Body
DSM	Dispute Settlement Mechanism
DSU	Dispute Settlement Understanding
EC	European Commission
ECSC	European Coal and Steel Community
EU	European Union
EUROFER	European Steel Association
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICJ	International Court of Justice
IMF	International Monetary Fund
IO	International Organizations
ITO	International Trade Organization
MC	Ministerial Conference
MFN	Most-Favorite-Nation
Mt	Metric Tones
OEC	Observatory of Economic Complexity
PCA	Permanent Court of Arbitration
TPRM	Trade Policy Review Mechanism
TRQ	Tariff Rate Quota(s)
WTO	World Trade Organization