

This article analyzes the decision of the WTO's Appellate Body in the dispute between Japan and Korea over Japan's imposition of countervailing duties on DRAMs imported from Korea. The legal analysis comments on the analysis of evidence, the lack of remand authority in the WTO system, and the meaning of a 'direct transfer of funds'. The economic analysis discusses several issues related to determining the magnitude of the benefit to a firm of a financial bailout and the appropriate duration of a countervailing duty to offset the injury caused by a non-recurrent subsidy. We offer legal and economic criticisms of the Appellate Body's conclusion regarding the relationship between subsidies and injury to the domestic import-competing industry. We conclude that the Appellate Body's decision weakens the requirement of a causal link between subsidies and injury and, consequently, may open the door to protectionist abuse of the Subsidies and Countervailing Measures Agreement.