

# *Antidumping: past, present and future*

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Two definitions:

- **DUMPING:** selling a product in the foreign market below cost or at a price which is lower than the price for which it is sold in the home market.
- **ANTIDUMPING (AD):** a remedy, allowed by the GATT/WTO, to impose antidumping duties to eliminate the injury to domestic producers caused by dumping.

The legal underpinning of AD is to eliminate “unfair” business activities that distort market forces.

- In 1923 Jacob Viner wrote “Dumping: a Problem in International Trade”
- Nowadays instead, we can write “Antidumping: a Problem in International Trade” (Zanardi, 2006)

“all but AD’s staunchest supporters agree that AD has nothing to do with keeping trade “fair.” ... It is simply another form of protection.”

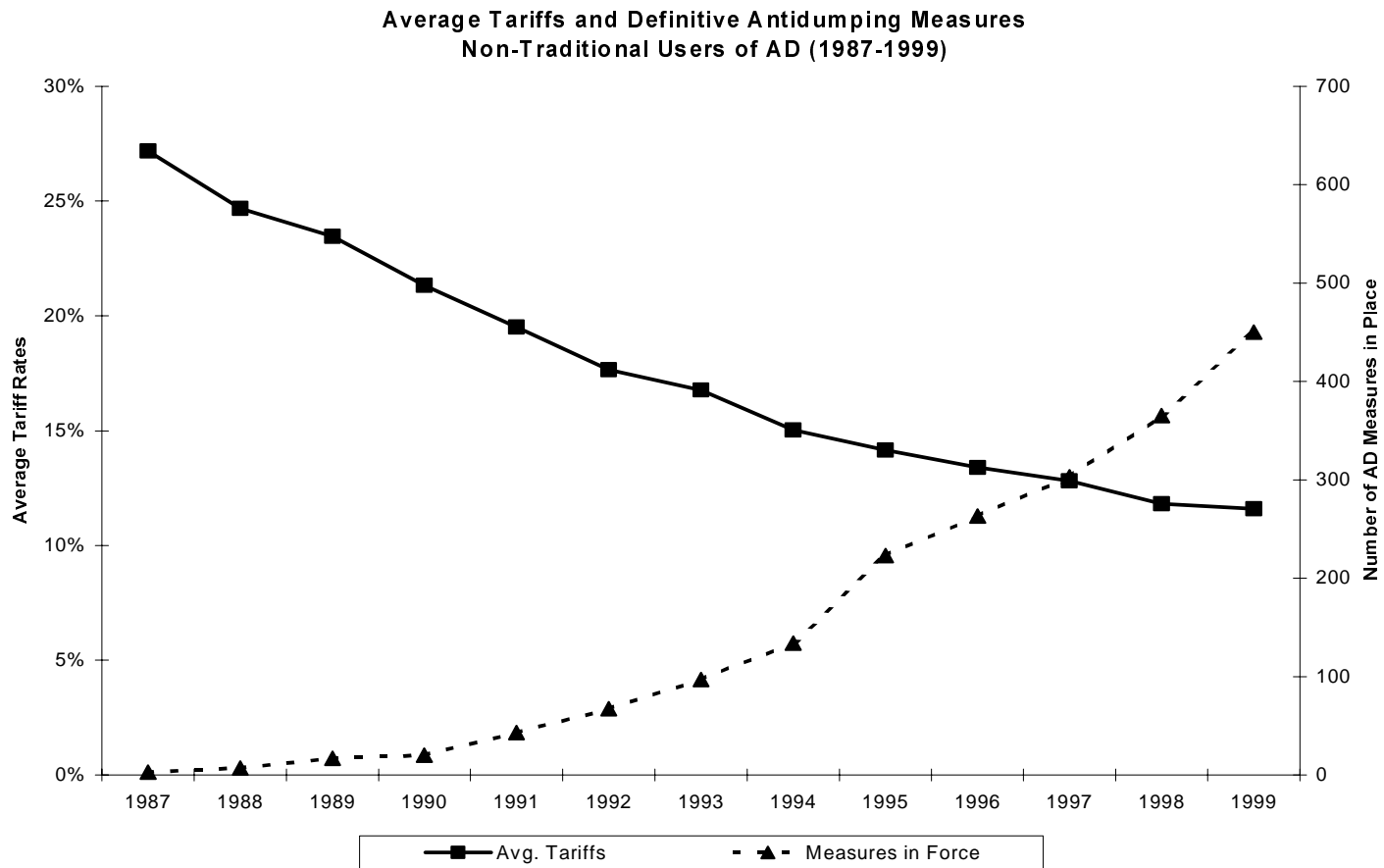
(Blonigen and Prusa, 2003)

“Dumping is whatever you can get the government to act against under the antidumping law.”

(Finger, 1993)

## Stylized facts:

### 1. Substitution effect from tariffs to AD



In other words, AD is the core of current trade policies.

Some (very) recent examples:

- Monday June 5, 2007:

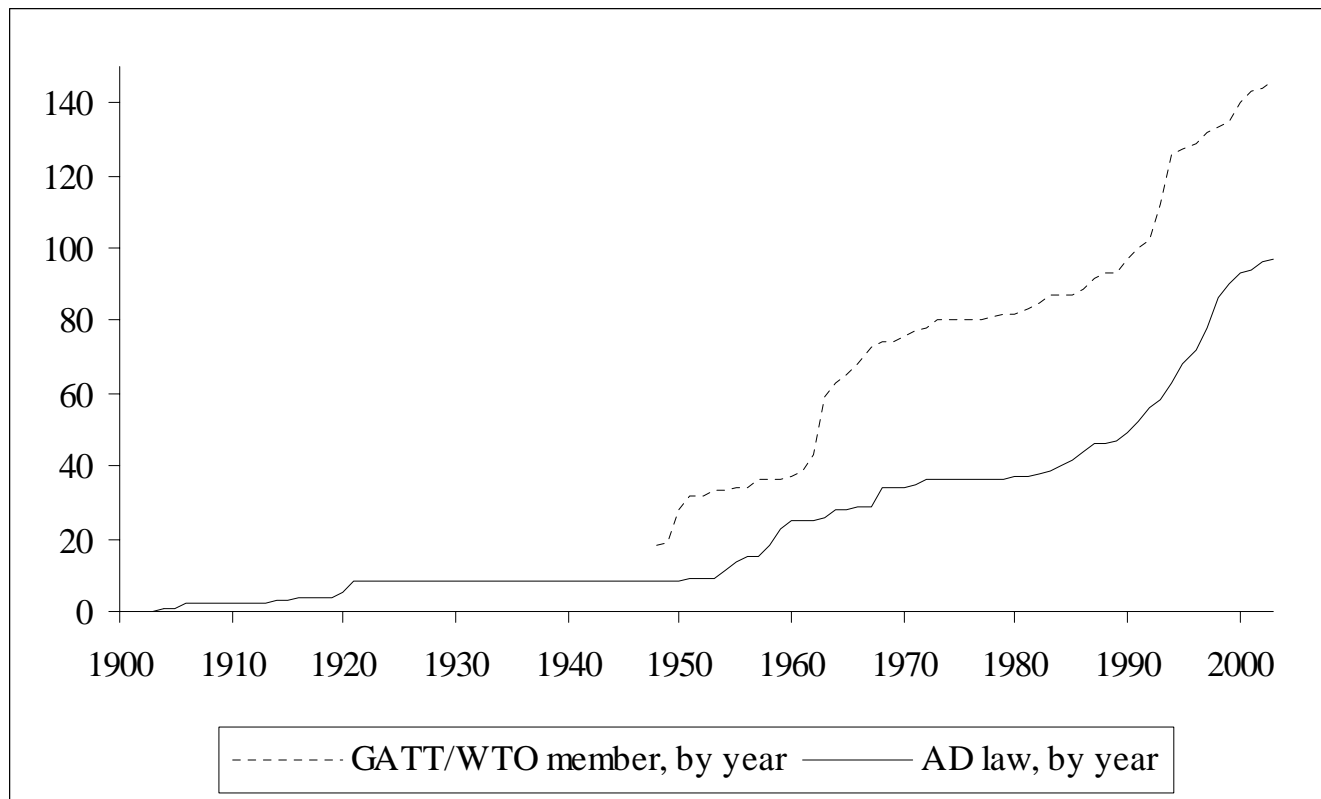
WTO arbitration panel established to determine the extent of Argentinean retaliation against the US for not complying with previous WTO ruling that found that the US AD authorities used illegal practices in some AD investigations.

- Monday June 5, 2007:

WTO panel established to investigate alleged illegal practices by US AD authorities investigating 52 EU products.

- Byrd amendment: the EU is retaliating the US for not abiding by previous WTO rulings.

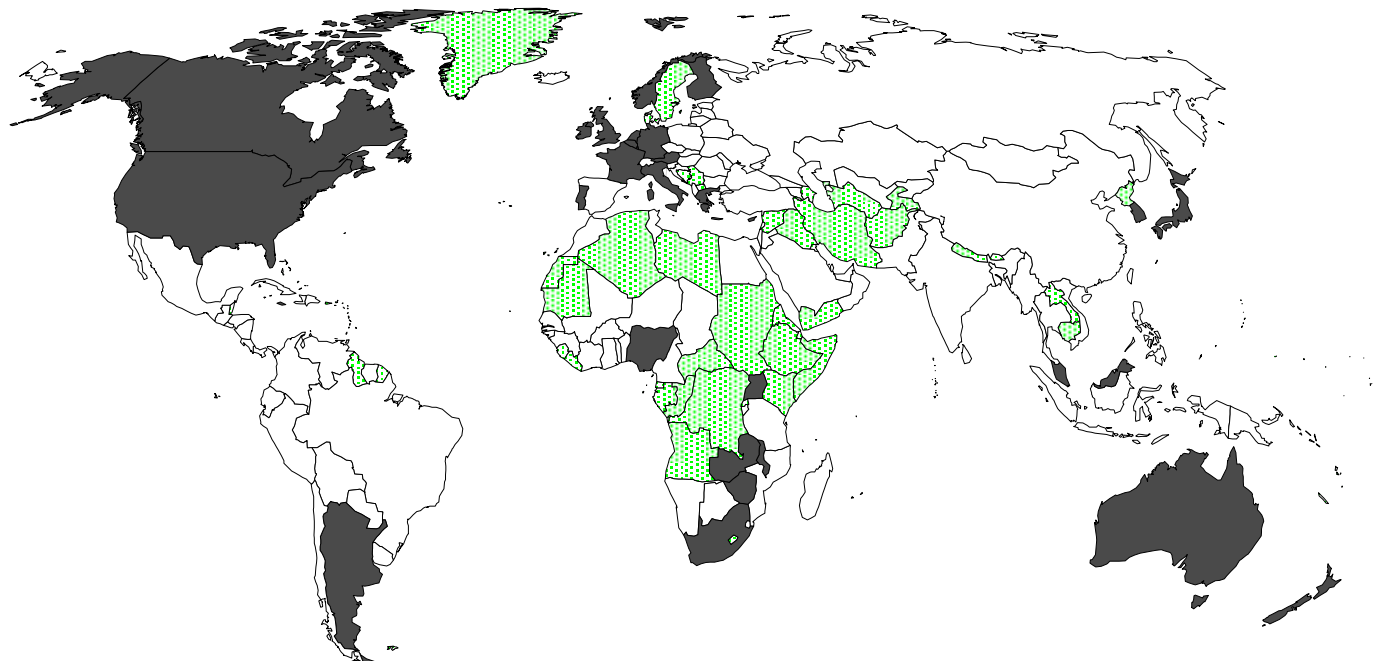
- Between 1980 and 2003, 61 countries adopted an Antidumping law (much more than before):



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## Geographic dimension of the proliferation:

- Situation in 1980:

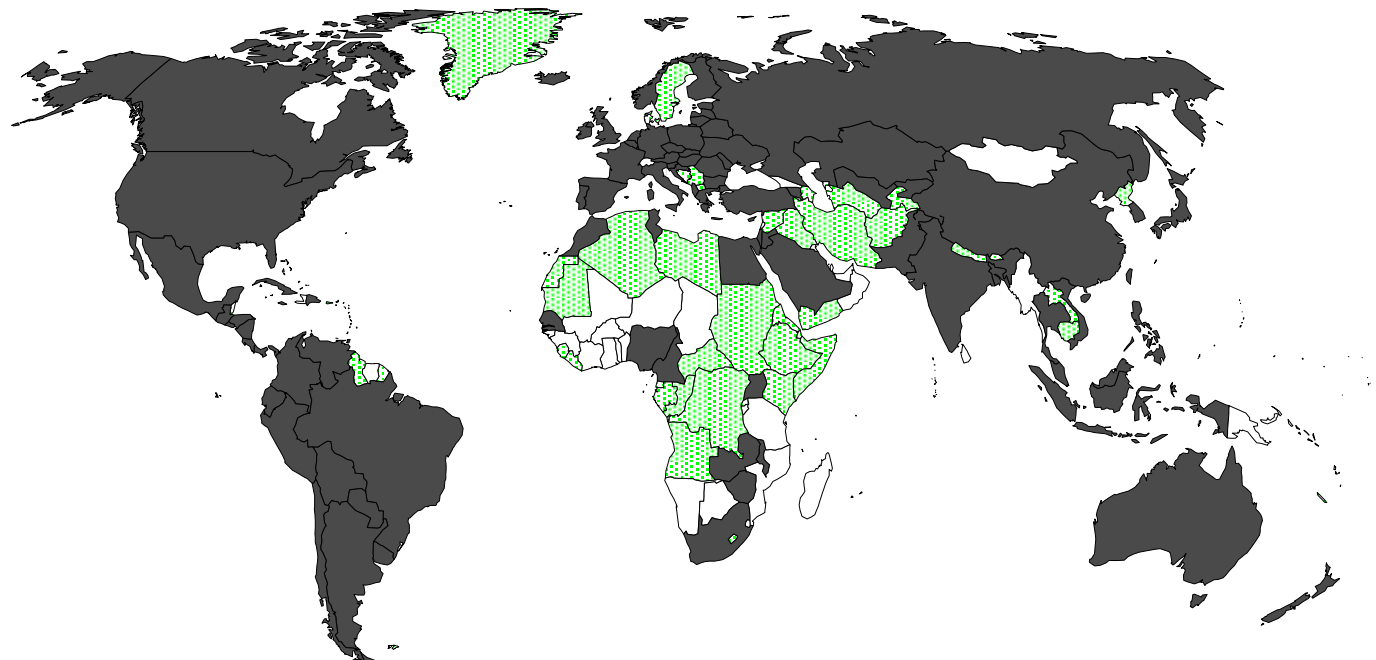


■ Countries with AD law (34)  
□ Countries without AD law (97)

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## Geographic dimension of the proliferation:

- Situation in 2003:

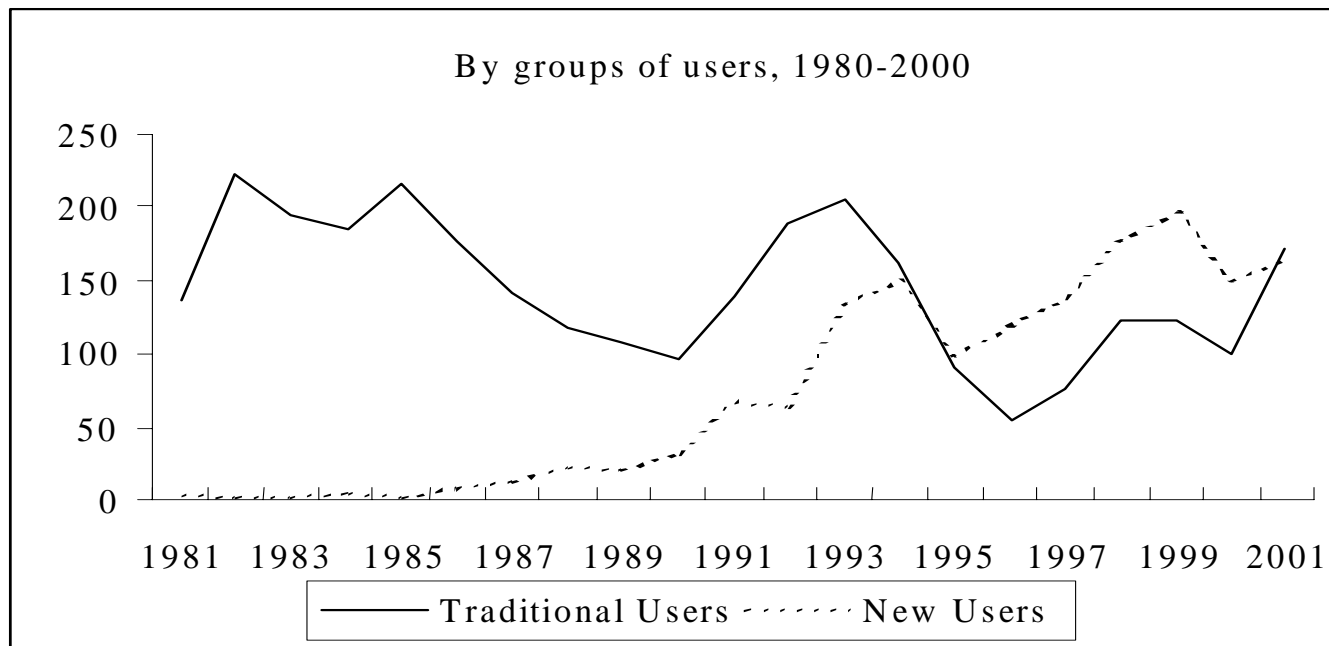


■ Countries with AD law (95)  
□ Countries without AD law (36)

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- The use of AD decreases in the traditional users (Australia, Canada, EU, New Zealand, US) but increases in new users (e.g., Brazil, China, India, Mexico, ...):



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4. Main users (countries and sectors):

<b>Top 10 New Users</b>	<b>AD initiations in 1995-2005</b>	<b>Sectors</b>	<b>% of AD initiations in 1995-2005</b>
India	425	Chemicals	33.24%
China	123	Metals	28.91%
Brazil	122	Machinery	9.15%
Turkey	101	Textile & footwear	7.99%
Mexico	85	Paper & wood	6.09%
Peru	60	Agriculture	4.93%
Indonesia	60	Plaster & cement	3.42%
Egypt	50	Minerals	2.25%
Thailand	34	Other sectors	4.01%
Israel	33		
<b>... as a comparison:</b>			
US	366		
EU	327		

BUT why do countries adopt AD laws?

- An AD law is not a GATT/WTO requirement.
- But there is a correlation between AD and GATT/WTO.
  
- The long theoretical literature on AD does not offer a comprehensive model but it suggests:
  - ◆ Retaliation motives
  - ◆ Substitution effect (safety valve hypothesis?)
  - ◆ Political economy motives

Vandenbussche and Zanardi (2007) look at this question for a sample of countries in the 1980-2003 period:

	(1)	(2)	
Cumulated AD measures received in the past	1.011*** (0.003)	1.015*** (0.003)	Retaliation
WTO entry in past 5 years	1.824* (0.583)	2.028** (0.597)	WTO
Number of AD laws in same continent	1.209*** (0.052)	1.270*** (0.053)	Contagion
%Δ Openness index	1.050*** (0.017)	1.046*** (0.018)	Substitution effect
Industry VA (% GDP)	1.036** (0.015)	1.038*** (0.015)	Political economy
Services VA (% GDP)	1.029* (0.018)	1.032** (0.016)	
Net inward FDI (% GDP)		0.806*** (0.037)	
Other controls	...	...	
Observations	1,113	1,010	
Countries included	80	75	
Countries adopting AD law	49	49	

\* denotes significance at the 10% level, \*\* 5% level, and \*\*\* 1% level.

Note: hazard ratios reported so that a variable positively (negatively) affects the probability of adoption when hazard ratio is above (below) 1

BUT is AD a problem?

- YES: AD cases are rarely economically justifiable
- YES: AD cases generate overall negative welfare effects
- YES: AD cases decrease total trade

Vandenbussche and Zanardi (2006) find that this effect is large and can (largely) offset the gains from trade liberalization:

	First year of trade liberalization	Year of first AD measure	%Δ in annual imports due to AD	%Δ in annual imports due to liberalization
<b>Brazil</b>	1988	1989	-8.9%	21.9%
<b>India</b>	1991	1993	-10.2%	11.3%
<b>Mexico</b>	1985	1987	-10.8%	18.0%
<b>Taiwan</b>	1986	1986	-3.3%	3.5%
<b>Turkey</b>	1980	1990	-8.0%	32.6%

## What is the future of AD?

- It is going to be a major trade policy instrument for long time.
- What about the Doha Round?

Ministerial Declaration signed in November 2001 emphasizes the development perspective of this Round.

The Ministers also agreed to “negotiations aimed at clarifying and improving disciplines under the [AD Agreement], while preserving the basic concepts, principles and effectiveness of [the AD Agreement] and [its] instruments and objectives, and taking into account the needs of developing and least-developed participants.”

Unfortunately, the Doha Round is on the verge of collapsing.

Reforms of AD are not high on the agenda.

BUT there is a sign of hope...

... from the EU!!!

A sign of change: Green paper by Mr Mandelson  
(December 2006) after leather shoes case against China  
and Vietnam which deeply divided EU Member countries.

The objective is “to launch reflection on the application of  
the EU Trade Defence Instruments [i.e., AD] in light of  
emerging new realities in the global economic context.”

Paradoxically, the retaliation effects that seem so important  
may also push the EU and US to reconsider their stance  
against AD reforms now that their firms are heavily  
targeted by some of the largest growing markets in the  
world!