



Antidumping policy in developing countries: Safety valve or obstacle to free trade?

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Abstract

In the last two decades AD policy has spread to developing countries, which are now among the major AD users. We review the, as yet limited, empirical literature on AD in developing countries and identify issues that merit further research. We address—without providing a definitive answer—the much posed question whether AD is a necessary safety valve ensuring broader trade liberalisation, or whether AD itself constitutes an obstacle to free trade. There is anecdotal evidence both for and against the safety valve argument (we distinguish between three different types of safety valves). Some more robust empirical evidence exists on the adverse trade effects of AD in developing countries, including an econometric study on Mexico we present here.

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1. Introduction: the importance of antidumping in developing countries

Antidumping policy has just completed its first century. It started with the AD laws in Canada (1904), New Zealand (1905) and Australia (1906). Nonetheless, it is probably fair to say that some of the most dramatic developments in the area of AD have taken place in the last 20 years or so. First, the ‘traditional’ AD regimes in the developed countries increased their usage of AD as other trade barriers were gradually dismantled under the GATT and other trade agreements. Second, this increase in usage was accompanied by a mushrooming of economics papers on

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dumping and on AD policy, both theoretical and empirical.¹ Third, and of most relevance to this article, the composition of AD using countries has changed fundamentally. The traditional regimes—the USA, the EU, Canada and Australia—accounted for around 90% of all AD cases between 1969 and 1993. However, since 1993, the ‘new’ regimes in developing countries have initiated more AD investigations than the four traditional users combined. The traditional users’ share had reduced to 37% in 1998–2001.² The leading new AD regimes, measured by a number of investigations since the mid-1980s, are South Africa, India, Argentina, Mexico and Brazil.³ Most of these adopted AD rules, or became active AD users, around the same time as they embarked on the path of trade liberalisation.⁴

Regarding the new AD regimes, there is an important gap in the empirical literature. As *Blonigen and Prusa (2003)* observe in their literature survey, ‘although the economic issues stemming from AD law are common to all GATT/WTO members, almost all research has focused on AD use in the US and EU’ (p. 253). The existing empirical studies on the USA and the EU have certainly generated useful insight into the methods, effects and political–economy aspects of AD policy, and many of these insights will be applicable across all AD regimes. However, because the new users have some particular characteristics, it is not unreasonable to hypothesise that the methods, effects and political economy of their AD regimes might be different from those in the USA and EU. Many of the new users are developing countries whose growth in AD usage went hand in hand with a, sometimes radical, policy shift towards trade liberalisation. In addition, developing countries have for decades been on the receiving end of AD investigations by the traditional users. For these and other reasons, empirical analysis of AD policy in developing countries is needed to obtain a fuller understanding of AD policy globally as it enters its second century.

This article intends to provide an overview of the literature on AD in developing countries that has been produced thus far. We also seek to identify some of the major policy issues surrounding AD in developing countries that warrant further research. In doing so, because the literature is as yet limited, we inevitably present the reader with more questions than answers. In Section 2 we review what the current literature has to say on a range of issues that have also been addressed for the USA and the EU, such as the patterns of AD usage and the political–economy factors driving the demand and supply of AD protection. In Section 3 we address a policy issue that seems to have particular relevance to developing countries, i.e., whether AD in these countries has played a role of ‘safety valve’ in securing political support for the move towards broader trade liberalisation. Because, as we must admit from the outset, there is no clear answer to this question, in Section 4 we deal with the flipside of the ‘safety valve’ argument, namely whether AD in developing countries constitutes an obstacle to free trade. Some more evidence

¹ For overviews of this literature, see *Niels (2000)* and *Blonigen and Prusa (2003)*.

² These figures are based on *Nagaoka (1996)*, *Miranda et al. (1998)* and *Zanardi (2002, 2004)*.

³ Other important new AD users (defined loosely here as those having initiated more than 15 investigations in the last 15–20 years) are Chile, China, Colombia, Egypt, Indonesia, Israel, Malaysia, Peru, Philippines, South Korea, Taiwan, Turkey and Venezuela (see *Zanardi, 2004*). There are also various developing countries that enacted an AD law but have made little or no use of it thus far, including Bolivia, Costa Rica, Morocco, Pakistan, Singapore and Tunisia. Hong Kong was one of the few states, if not the only one, that deliberately abstained from implementing an AD law (as explained by *Tang, 1997*).

⁴ It should be noted that South Africa has had an AD law since 1914 and was an active user up until the 1960s, but its recent AD activity picked up only from the early 1990s (see *Zanardi, 2004*). Malaysia (1959), South Korea (1963) and Argentina (1972) also had their AD rules in place long before they became active users. Most of the other countries listed above adopted AD rules from the mid-1980s onwards.

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