



# Institutional changes and antidumping decisions in the United States

Kyung-Ho Lee<sup>a,\*</sup>, Jai S. Mah<sup>b</sup>

<sup>a</sup>*Department of Economics, Ajou University, San 5, Wonchun-dong, Paldal-ku, Suwon, Kyunggi-do 442-749, South Korea*

<sup>b</sup>*College of Commerce, Dankook University, Seoul, South Korea*

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## Abstract

This study examines whether and how the institutional changes as well as macroeconomic conditions influence the US International Trade Commission's injury decisions. The empirical evidences show that the percentages of the Commissioners' affirmative injury decisions are revealed to be positively influenced by increased import penetration ratios. The Democrat Commissioners are shown to be more sensitive to changes in the macroeconomic conditions than the Republican Commissioners are. There is a strong evidence that the launch of the WTO system and the consequent establishment of the Dispute Settlement Mechanism decreased the probability of affirmative injury decisions relating to antidumping duties.

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## 1. Introduction

The average tariff rates of the contracting parties/Members of the General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO) have been reduced substantially with the progress of several multilateral trade negotiations over the past half century. The reductions in tariff rates have led many of

\* Corresponding author. Tel.: +82-31-219-2743; fax: +82-31-219-2195.

*E-mail addresses:* leekh@ajou.ac.kr (K.-H. Lee), mahsong@hotmail.com (J.S. Mah).

them to resort to discriminatory remedial measures like imposition of antidumping duties which are allowed by the GATT Article VI. The United States has been the largest user of antidumping duties. For instance, during 1987–1997, the United States shared 26% of the total definitive antidumping measures in the world, followed by the EU, Australia, and Canada.

In the United States, the International Trade Commission (ITC) has been in charge of injury determinations regarding administered protection measures such as antidumping duties. The papers dealing with the ITC's decisions on antidumping duties focused on the economic and political factors as the determinants (Baldwin & Steagall, 1994; Finger, Hall, & Nelson, 1982; Hansen & Prusa, 1996, 1997; Leidy, 1997; Mah, 2000a, 2000b; Moore, 1992). Although such works used time series data to reveal the determinants of antidumping investigations/decisions, none of them considered the impact of institutional changes on injury decisions relating to the antidumping duties. Considering that there have been substantial changes in the provisions of the US antidumping laws and the global trading system since the 1970s, ignoring such institutional changes might lead the researchers to the wrong conclusions. The purpose of this study is to examine whether and how the institutional changes influenced the ITC's decisions.

The remainder of this paper is organized as follows. In the next section, institutional changes in the antidumping laws of the United States as well as the regulations in the global trading system are explained. In Sections 3 and 4, the model and empirical evidences on the impact of the institutional changes in tandem with macroeconomic variables on the ITC's antidumping decisions are presented. The final section summarizes the overall results.

## **2. Institutional background**

The GATT Article VI has allowed the contracting parties/Members of the GATT/WTO to take discriminatory, remedial measures such as antidumping duties against the exporters' unfair export behavior under certain conditions. For imposition of antidumping duties, there are three basic conditions to be satisfied: first, the existence of dumping margin; second, material injury to concerned domestic industries; and, third, causal relationship between dumped imports and material injury to domestic industries.

In case that the above-mentioned conditions are met, the authorities of the importing countries are allowed to impose antidumping duties to prevent dumping.<sup>1</sup> As the average tariff rates have fallen over time with several multilateral trade negotiations, policy makers in many countries have used certain forms of trade

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<sup>1</sup> Marvel and Ray (1995) say that antidumping and countervailing duties are almost indistinguishable despite theoretical distinctions. However, it is noteworthy that one of the important differences between the two is that subsidies are in general the actions of governments themselves, consequently the response such as countervailing duties often has a higher level of diplomatic visibility (Jackson, 1990).

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