

Macro Economic Determinants of Antidumping: A Comparative Analysis of Developed and Developing Countries

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Summary. — This study examines how macro factors influence the use of antidumping in developed and developing countries. A panel data analysis of 99 countries over 1980–2000 reinforces the view that the primary jurisdiction for the antidumping law is really more political than economic. Furthermore, it suggests that once the WTO is fully enforced, the use of antidumping will spread among developing countries not only due to greater liberalization pressures but also as many countries would like to create an antidumping ability so as to counter its use against them. This may reverse the trade gains that liberalization may ensure to them. This paper thus calls for the granting of the special and differential treatment to developing countries in this provision. Finally, based on its findings, the paper argues that future negotiations should be directed toward revising safeguard rules and replacing antidumping by this new clause.

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Key words — antidumping, developed countries, developing countries, political economy approach, trade protection

1. INTRODUCTION

The Uruguay Round of Multilateral Trade negotiations that concluded in 1995 elaborated upon the basic principles that govern the determination and application of the three main contingent measures. Since then contingent protection has evolved into a global phenomenon with an increasing number of countries adopting contingent protection laws and making use of them. But, the bulk of contingent protection falls on the instrument of antidumping (AD). Over 1995–2000, the number of AD cases initiated accounted for 89.1% of the total cases pertaining to the three main contingent measures sanctioned by the General Agreement on Tariffs and Trade (GATT). The share of countervailing duties remained as small as 7.1%. The Safeguard constituted the least frequently used measures with a share of only 3.8% over this period (Table 1).

Antidumping has become an important trade policy tool for developed and developing countries alike. Until the mid-1980s, the use of AD measures and other trade remedies was confined to a few developed countries. Devel-

oping countries had a negligible share in AD cases. They were involved in antidumping only

Table 1. *Initiations of contingent protection measures*

	CVD	Antidumping	Safeguard
1995	10	156	2
1996	7	221	5
1997	16	242	3
1998	26	232	10
1999	40	339	15
2000	16	251	26
Total	115	1,441	61

Source: Rowe and Maw (April 2001).

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to the extent that they were at the receiving end. By the end of the 1990s these countries themselves became active users of antidumping and they now initiate over half the total number of antidumping cases. In theory, AD actions are intended for use only against importers suspected of using unfair trade practices. With a dramatic increase in the use of AD, however, it is becoming increasingly difficult to argue that increased usage signals merely an increase in unfair trade practices. A substantial body of literature analyzing whether the use of the antidumping mechanism is motivated by other considerations than those envisaged by the GATT, has appeared in recent years. Most studies however have sought to explain the effects of industry-specific factors on AD use (Feinberg & Hirsch, 1989; Hansen, 1990; Herander & Schwartz, 1984; Krupp, 1994; Lichtenberg & Tan, 1994; Prusa & Skeath, 2002; Sabry, 2000). There exist only a few studies that have investigated the influence of macroeconomic pressures on the use of AD actions (Feinberg, 1989; Leidy, 1997 for the United States; Becker & Theuringer, 2001 for the European Union; Knetter & Prusa, 2003 for the United States, Canada, Australia and the European Union). This literature is still in its infancy. One major limitation of this literature is that it has so far centered mainly around the developed countries' experiences. Though the share of developing countries in AD investigations increased sharply in the 1990s, studies on the determinants of AD use in these countries are scarce. Aside from this, the existing studies are either narrowly focused and/or have inadequate data coverage. For instance, Feinberg (1989) concentrated on the effect of exchange rate movement on US AD filings across four import source countries: Brazil, Korea, Japan and Mexico. He used quarterly data of 5 years for 1982–87 and employed a single-variable model. Knetter and Prusa (2003) used a long time series with four AD filing developed countries. Like Feinberg (1989) however they also focused on how fluctuations in real exchange rates affected filing decisions. For the analysis they used a model, which had apart from the exchange rate, only two other explanatory variables namely, filing country GDP growth rate and rest of world GDP growth rate. Other macroeconomic factors were ignored. Leidy (1997) as also Becker and Theuringer (2001) aimed at analyzing the impact of various macroeconomic shocks on AD and countervailing duty initiations

for the United States and the European Union, respectively. Their analyses however were constrained to short time series which weakened the credibility of their results (Table 1).

The present study contributes to this literature by overcoming some of its limitations. It explores the relative importance of various macroeconomic determinants of AD filings in developed and developing countries in a comparative framework. It employs a comprehensive model of the intercountry determinants of AD initiations to examine whether developing and developed countries have different motivations while adopting these measures. It draws on the existing literature to identify a number of possible motives of the users of AD and empirically examines, using a panel data set of 99 countries¹ over 1980–2000, which of the motives receive support in the data. Systematic evidence that macro variables are related to AD filings would strengthen the view that AD is a tool of protectionism and has nothing to do with the unfair trade practices of foreign firms. Moreover, an analysis of the determinants of AD use in developed and developing country may have implications for negotiating reforms in this law in future.

Section 2 provides a brief overview of the trends in AD use during the last two decades. Section 3 describes the theoretical underpinning for the empirical analysis and presents the model. Section 4 describes the data and methodology while Section 5 discusses empirical findings. Concluding remarks are provided in Section 6.

2. USE OF AD ACTIONS

Antidumping disputes were relatively few and far between until 1980. There is no exact accounting of worldwide AD activity for this period because before 1980, GATT did not require countries to report their contingent protection actions. But, some estimates on the number of AD actions made by individual scholars do exist. Finger (1993), for instance, observed that in 1958, when the GATT countries first analyzed the number of cases, 37 antidumping measures were in force (excluding Canada and New Zealand for which no figures were collected). Of these 21 were adopted by South Africa. Hufbauer (1999) found that during 1954–74, fewer than 100 cases were

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