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Antidumping: A problem in international trade

Maurizio Zanardi *

Department of Economics, Tilburg University and CentER, PO Box 90153, 5000 LE Tilburg, The Netherlands

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Abstract

When in 1923 Jacob Viner wrote the book, *Dumping: A Problem in International Trade*, he probably did not imagine that the system devised to eliminate the effects of dumping (i.e., antidumping) would itself become a problem. However, as we celebrate the 100th anniversary of the first antidumping law, the situation is quite different from that observed by Viner. Although his economic analysis on the nature and causes of dumping remains valid, the debate shifted in the early 1990s and now centers on the widespread use of antidumping. This paper documents the evolution of antidumping by examining the pattern of adoptions of antidumping laws and the statistics pertaining to the worldwide caseload. One striking result is the important role played by the new users of antidumping. Rankings based on the intensity of use magnify this conclusion, suggesting that the true dimension of the antidumping phenomenon is only partly revealed by the usual statistics on usage.

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1. Introduction

Export dumping on a continued and systematic scale has been a common practice of American manufacturers since at least the late eighties of the last century. Viner (1923, page 80)

When in 1923 Jacob Viner wrote the book, *Dumping: A Problem in International Trade*, he probably did not imagine that the system put in place to eliminate dumping, i.e., antidumping (AD), would itself pose problems. As we celebrate the 100th anniversary of the

* Tel.: +31 13 4663377; fax: +31 13 4663042.

E-mail address: M.Zanardi@uvt.nl.

first AD law, the situation is quite different from that observed by Viner. From its origin as a mostly unused and cumbersome trade policy instrument, AD has become the preferred means by which industries in many countries seek and obtain protection from their governments.¹ Although Viner's economic analysis on the nature and causes of dumping remains valid, the debate has shifted since the early 1990s and now centers on the widespread use and consequences of AD.

Indeed, the issue has evolved dramatically so that the discussion on AD is now independent from that of dumping. A large literature points out that the occurrence of dumping is no longer the defining aspect in the application of AD duties and in the motivations of industries in filing petitions. In a recent survey on AD, [Blonigen and Prusa \(2003\)](#) emphasize how "AD is simply a modern form of protection" since "all but AD's staunchest supporters agree that AD has nothing to do with keeping trade "fair"..." and thus has lost its connection with the dumping literature. For this reason, the academic debate on AD is now almost completely removed from the discussion about the motives and extent of dumping, although AD's supporters advocate its use in order to discourage unfair (i.e., dumping) business practices.

The large literature on the effects of AD has theoretical and empirical dimensions. At the risk of over-simplification, one may say that the theoretical analysis concludes that there are few instances in which AD is supported by sound economic motives (i.e., perhaps in the case of predatory dumping). Given that the empirical occurrence of these cases is rare ([Shin, 1998](#)), the general presumption is that AD is nowadays used to the advantage of industrial interests, with negative impacts on both consumers' welfare and competition.

The theoretical conclusion that AD is (almost always) welfare reducing is supported by various estimates. [Gallaway et al. \(1999\)](#), presenting the results of a computable general equilibrium model, conclude that the removal of all AD and countervailing duty orders in 1993 in the United States (US) would have increased welfare in the US by almost \$4 billion.² Studies on specific AD cases by the [U.S. International Trade Commission \(1995\)](#), [DeVault \(1996\)](#), and [Anderson \(1993\)](#) reach the same qualitative conclusions: that the net effect of removing AD orders would greatly benefit the US economy, as AD duties result in a gain in producers' welfare that is smaller than the loss to consumers. Many other papers illustrate the distortions arising from the existence and use of AD laws, particularly in situations in which political influence plays a non-trivial role.

Given the concern for the welfare implications of AD, many studies provide a range of statistics on the use of AD. This paper uses a comprehensive new dataset on the worldwide use of AD (taken from [Zanardi, 2004](#)) to illustrate the extent and the historical development of the problems posed by AD. Analysis of the number of countries with an AD law and the time profile of policy adoptions reveals a pattern that may help to explain the widespread interest in the enactment of these laws. The data on the caseload of initiations and impositions from the perspective of initiating and targeted countries shows both the incidence of this protectionist tool and how it has been transformed from an elitist instrument used by only a few countries to a common device in developed and developing countries alike. Statistics on import and export intensities of AD (i.e., the extent of use per US dollar of imports and exports) allow us to conduct more reliable cross-country comparisons, which once again reveal the important role played by the new users of AD.

¹ AD duties or other arrangements are often enforced in order to eliminate dumping margins (i.e., the fact that exporters sell cheaper, or below cost, in the exporting market than in their domestic market).

² The countervailing law offsets export subsidies, but is much less frequently used than the AD law.

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