Antidumping as a Development Issue

Robert M. Feinberg

American University

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I. Introduction

Almost 90 years ago Viner (1923) identified dumping as a "problem" in international trade; more recently Prusa (2005) and Zanardi (2006) have found the overuse of ***anti***dumping to be the "problem" in international trade.[1] Others have observed the pervasive use of antidumping since the end of the Uruguay Round and the resulting framework of trade liberalization, as well as the trend of increasing cases filed by and against developing countries. What has not been well documented is ***how dramatically*** the patterns of antidumping usage have changed, to the point that while obviously impacting trade flows, the impact is now of most concern to the developing world.

This paper attempts to stimulate discussion about antidumping policy among development economists, who have largely ignored the topic; evaluating trade policy by developing economies without considering antidumping is incomplete and ignores the extent to which it may be substitutable for other methods of trade protection. Antidumping has become truly a "problem" of development. Despite some debate on the role of international openness in determining economic performance, there is little research on how the use of particular trade policy mechanisms affects either trade openness ***or*** economic performance. In what follows we examine the role of developing countries in antidumping, with

[1] Dumping is essentially the sale of foreign goods in the domestic market at prices below "fair value" – this is generally the price (after making appropriate adjustments) of the same goods in the exporter's home market, but can also involve comparisons to cost. Antidumping laws allow domestic firms to seek duties to offset dumping when it is shown to cause them "material injury." Studies have pointed to welfare losses due to antidumping usage (Gallaway et al. (1999), Prusa (2001)). In addition, determinants of antidumping usage related to political and macroeconomic factors –- rather than case-specific details -- suggest viewing antidumping as simply another protectionist device (Feinberg and Hirsch (1989), Knetter and Prusa (2003). On the other hand, there is some support for antidumping to be seen as an insurance-type mechanism, allowing for greater trade policy liberalization – especially by developing economies (Finger and Nogues (2006), Feinberg and Reynolds (2007)).

particular focus on which countries employ this instrument of protection, and which countries are heavily targeted; we also note those countries which are targeted but do not respond in kind.

II. Literature Review

Zanardi (2006) documents the increasing number of new users of antidumping, mostly developing countries,[2] starting in the late 1980s but accelerating with the formation of the WTO in the mid-1990s. His data, however, end in 2001, at which point roughly equal shares of case initiations were produced by "traditional" and new users.[3] From those data, we see that – in terms of the intensity of antidumping filings (relative to value of imports) – the only "traditional" developed country antidumping users among the ten most active countries since 1988 are Australia and New Zealand. Bown (2008), updating these figures through 2004, finds that the historical "big 4" developed country users of antidumping – U.S., EU, Australia and Canada – filed just 33% of such cases during 1995-2004, compared to 73% in the 1985-94 period. Explaining the industry-specific determinants of antidumping filings by nine major developing countries over the 1995-2002 period,[4] Bown finds that – in addition to a general trend of greater use – steel and chemicals industries, and larger industries facing increased import competition and adverse macroeconomic shocks, have been the primary users of this policy instrument (as has also been found for the "traditional" users).

Zanardi (2006) also examines, through 2001, trends in target countries of antidumping cases, finding that developing economies' share as targets of such cases rose from 46% in the 1981-87 period to 68% in the 1995-2001 period. A similar analysis of the number of cases targeting a country relative to its exports finds that measure has been uniformly high for developing and transition economies at least since 1981.

[2] In what follows I will define "developing countries" by World Bank standards of low-income and low-middle-income countries, "middle-income countries" as those categorized as high-middle-income, and "high-income countries" as OECD and non-OECD high-income countries (the World Bank classifies all OECD countries as high income).
[3] Prusa (2001) had noted the beginnings of this trend, looking at data through 1997.
[4] Data required for his econometric estimation precluded using the full data through 2004.

Much research has tried to explain motivations for antidumping law use by both developed and developing economies, with some evidence of macroeconomic determinants (Knetter and Prusa (2003), retaliation for previous antidumping filings (Blonigen and Bown (2003), and Feinberg and Reynolds (2006)), and as a *quid pro quo* or "escape valve" allowing for general tariff and other trade concessions – especially for developing economies (Feinberg and Reynolds (2007) and Finger and Nogues (2006)).[5] Focusing on India, Bown and Tovar (forthcoming) find evidence of both escape valve and retaliation motivations.

As for the effects of this increased antidumping usage by developing economies, there has been relatively little research.[6] Bown and Tovar (forthcoming) find that up to 13% of Indian manufacturing imports were in 6-digit HS categories involved in antidumping (or safeguard) cases, while Ganguli (2008) estimates a roughly 50% reduction in imports of affected 6-digit HS categories through three years after initiation in India.[7] Vandenbussche and Zanardi (2010) provide evidence that active "new users" of antidumping measures–most of which are developing countries--experience significant reductions in import volumes beyond the specific narrow sectors targeted (a "chilling" or "spillover" effect on trade more generally), largely offsetting the trade-increasing effects of Uruguay Round liberalization.

As to the question of why developing countries have been the dominant force in recent antidumping usage, one might expect to see work on this topic in the development literature. However, the closest research involves the debate over the relationship between trade liberalization and growth. These studies have provided mixed results at best. Winters et al. (2004) discuss this literature noting that the bulk of evidence is weakly supportive of a positive effect (while acknowledging critical views such as those of Rodrik (2001)). But they note the difficulty both in measuring "openness" and in establishing

[5] Moore and Zanardi (2009) and Prusa and Li (2009) question this finding.
[6] There has been considerable research, however, for developed countries, finding both significant welfare losses and reductions in import flows from antidumping usage. See, for example, Galloway et al. (1999) and Prusa (2001) for the U.S., Vandenbussche and Zanardi (2006) for global antidumping usage. Somewhat more mixed is the finding of Konings and Vandenbussche (2008) for the EU, showing that antidumping can promote technological gains for less-efficient firms but lowers productivity growth for firms on the efficiency frontier.
[7] He reports that over 96% of filed cases for which data were available led to dumping duties imposed.

causation, along with dealing with other appropriate policies that are generally viewed as necessary to accompany a liberal trade regime (e.g., investment policies, reducing corruption). They especially note the need in econometric studies to aggregate the various dimensions of trade restriction to a single index. More recently, Kneller et al. (2008) make similar arguments. No mention is made of antidumping policy, as this is clearly far too disaggregate an instrument of trade policy for these studies to consider.

Bown (2010) provides updated views of trends in both usage and targeting of antidumping (along with other forms of "temporary trade barriers"). Limiting his analysis to the G20 countries, he provides estimates of both stocks and flows of antidumping and other protection.[8] Comparing 2009 to 1997 (two years with comparable "stocks" of developed country antidumping protection (orders in place), both well below peak levels of such protection which occurred in 2002), he finds that the share of the developed economy stock of antidumping protection imposed against other developed economies fell from 50% to 33% -- the flow of developed-developed antidumping cases has fallen more dramatically. He finds more dramatic changes in patterns for the stock of G20 developing country antidumping protection, which has grown five-fold from 1997 to 2009, with more than two-thirds of the 2009 stock of such activity targeting other developing countries (both within and outside the G20).

III. Recent trends[9]

Despite much concern expressed in the recent major global recession that overall antidumping usage would spiral out of control, this seems not to have occurred.[10] While different methods of counting cases produce somewhat different patterns, the general themes remain (with relatively small increases in recent years despite the severity of the recession). The method employed here of counting separately

[8] These are both defined in terms of numbers of HS-6 categories affected.
[9] While countervailing duty (CVD) cases are sometimes filed jointly with antidumping petitions, the focus of this paper, and all numbers presented, involve antidumping alone.
[10] See, for example, Bown (2009), Evenett (2009). This is not to deny increased protectionist pressures (reflected in a variety of ways) since 2007.

multiple country targets by the same country for the same product seems a reasonable proxy for capturing both depth and breadth of administered protection sought.[11]

Figure 1 illustrates that while global antidumping usage increased in 2008, it fell a bit in 2009, remaining near historical lows, far below the peak levels of the early 2000s (usage fell still more in 2010). At the same time global trade (in nominal dollar terms) has more than doubled since 1995, even after the recent recession-induced decline. However the share of these cases filed by developing countries has increased dramatically as has the share of cases targeting developing world exporters. Consequently, the intersection – cases involving a protectionist battle between two developing countries – has also grown.

Now consider further the developing country (as noted earlier, this includes low-income and lower-middle-income countries) petitioners and the targets of antidumping filings. From 1995 to 2009, firms in developing countries filed 1,542 antidumping petitions, and were the target of 1,724 such petitions.[12] Figures 2 and 3 describe trends in these filings over the period, with dramatic declines in high-income-country petitions and increases in the share of petitions from developing countries; since 2002 over 50% of antidumping petitions have been filed by developing countries, while there has been a steady decline (to about 25% in 2008-09) in the share filed by high-income country petitioners.

Figure 4 combines information on sources and targets of new antidumping petitions.[13] Roughly 95% of all antidumping cases in 2008-09 involved developing and upper-middle-income countries as either petitioning or target countries (so only 5% involve only high-income countries). In contrast only 75% of cases involved these countries in the 1995-1998 period. More than 50% of cases in 2008-09 have no high-income-country involvement on either side of the case. Since 2005 almost 30% of all cases filed have involved ***only*** developing countries (on both sides of a case). Although many of these involve

[11] An alternative (adopted in some of Bown's work) is to lump together (as a single "case") all cases initiated by the same industry at the same time, regardless of how many countries are targeted.

[12] As noted earlier, the focus of this paper is antidumping and excludes CVD cases, which have rarely been used by developing countries. Over the entire 15 year period examined here, only 54 CVD petitions were filed by countries other than the U.S., European Union, Australia, New Zealand, Japan, and Canada. There may be a trend in recent years toward relatively more CVD usage by developed economies, but these are still small in numbers relative to AD filings.

[13] This excludes review (sunset) cases. While not shown there, about 60% of worldwide antidumping petitions in 2009 targeted developing country exporters.

Chinese exporters/producers on the receiving end and India on the petitioning side, the fact still remains that antidumping is now most prevalent in developing countries. Even if we exclude cases involving China or India (on either side of a proceeding) (see Fig. 1a) -- leaving about 100 cases per year over the past decade -- a non-trivial share, up to 20 percent some years (averaging about 15%), are exclusively developing country matters.

IV. Some evidence

Can we say anything about antidumping's impact[14] on the heavy users and heavily targeted economies in the developing world? It is interesting to note that the leading developing country *users* of antidumping protection are quite different from the leading developing country *targets* of antidumping cases, raising some doubts to the view of that antidumping activity is often used in retaliation. As seen in Figure 5, the leading developing country users have been India, China, South Africa, and Turkey. Of these, only China and India have been significant targets of antidumping filings. Figure 6 shows how the nine WTO-member developing countries which have been most active either as targets or sources of petitions (at least 50 cases filed by or against) have fared in the antidumping arena. China, Indonesia, and Thailand have been targets of antidumping activity with relatively little response; in contrast, firms in Egypt, India, Pakistan, Peru, South Africa, and Turkey have filed antidumping cases disproportionate to the extent to which their exporters have been targeted.

Though China has filed significantly more cases than either Indonesia or Thailand, its filings are still not proportionate to its instances of targeting (to some extent, this reflects China's lack of filings in the early sample period since it did not join WTO until the end of 2001). All three countries have filed

[14] Of course, filing an antidumping petition does not guarantee an affirmative outcome and duties imposed. Countries differ in the rate at which petitioners succeed in gaining protection, however Prusa (2001), Vandenbussche and Zanardi (2010), and others have noted that even petitions which are withdrawn or are unsuccessful may have at least temporary benefits to the filing firms in limiting import competition.

antidumping cases only half or less frequently than they have been filed against. Why? Are they embracing free trade? Or are they protecting their industries in other ways?

For China, state trading and alleged currency manipulation have been argued to be a form of protection which may have lessened the perceived need for antidumping protection. If we normalize antidumping filings by imports over the 1995-2009 period (Figure 7), China and Thailand are comparable to the U.S. in their frequency of case filing, while Indonesia is about three times as aggressive as the U.S. is in antidumping actions (but still relatively passive compared to its role as an antidumping target, as seen in Figure 6). Both Indonesia and Thailand made significant tariff concessions (double-digit percentage point reductions on average for industrial goods) in the Uruguay Round; and based on the most recent World Bank "Trade Brief" discussions, neither country has a particularly high Tariff Trade Restrictiveness Index.

In contrast Egypt, India, Peru, and South Africa have all filed antidumping petitions more than three times as often as they have been filed against, and at rates –adjusting for their imports – at least 10 times the rate of the U.S. (see Figure 7).[15] All four countries have generally reduced their antidumping activity in the past few years, however. With the exception of South Africa, the World Bank reports, in their "Trade Briefs," somewhat more restrictive trade policies for this group of countries than for the relatively light users discussed above. One observation of some interest is that – except for India -- the relatively heavy users (Egypt, Peru, and South Africa) have protected industries across the board (with no one broad HS sector involved in more than 25% of filings since 1995), while the relatively light users (China, Indonesia, and Thailand) have taken a narrow focus – China protecting section VI (food, beverages, tobacco) with 61% of its filings, Thailand protecting section XV (metals and metal products) with 72% of its, and Indonesia protecting those two sectors with 56% of its petitions.

[15] Turkey's filing intensity is only about five times that of the U.S.; Pakistan's is just slightly below the threshold of ten times the U.S. rate, but in addition their total antidumping involvement (on either side of a case) is quite small, just 64 cases total over the 1995-2009 period. Egypt and Peru have been particularly focused in their cases on other developing countries, each filing more than 60% of their cases against developing countries (though Peru's focus has been much more narrowly focused on China, with 46% of their cases against China).

Is there a relationship between antidumping filings and typical development challenges – e.g., GDP per capita, GDP growth, income inequality? As noted above little work has been done on these topics specific to the developing world, but for the U.S. and Europe welfare losses to petitioner countries from antidumping activity have been estimated. As for income inequality, Brambilla et al. (2010) illustrate that a targeted developing country (Vietnam) experienced a negative shock to household income growth due to U.S. antidumping duties on catfish. Whether developing-country antidumping petitioners experience adverse impacts has not been well-documented (though consumers most likely face higher prices).

Consider some descriptive patterns of economic growth for five of the countries mentioned above: Egypt, Indonesia, Peru, South Africa, and Thailand.[16] Can we detect any differences in these trends between the countries with particularly heavy and particularly light usage of antidumping remedies (both relative to their import value and relative to the targeting of their exports by antidumping cases filed by others)?

Looking at the heavy antidumping users in the group of developing countries mentioned above (Egypt, Peru, South Africa) and the relatively light users (Indonesia, Thailand) do we see consistent patterns? Average GDP growth (over the 1994-2008 period) averaged 4.6% for the former three countries, 4.1% for the latter two countries; GDP growth per capita averaged 2.9% for both groups. As for import growth, the heavy user countries experienced the more rapid import volume growth, averaging a total increase of 196% over this 15 year period compared to a 101% increase for the relatively restrained users of antidumping. It should certainly not be argued that heavy usage of antidumping remedies ***caused*** more imports; rather, this does recall the work of Finger and Nogues (2006) in pointing out that – in Latin America at least – antidumping statute use seemed to be in the context of a targeted development and

[16] We exclude China and India in the following discussion. For various reasons they seem like special cases; it is unlikely that their antidumping initiation activity has played a major role in their strong economic development over the past decade. For a discussion of recent trends in India's antidumping usage, see Feinberg (2010).

trade policy strategy that was on the whole promoting liberalization and openness. It may be that countries with strong import growth are those in greatest need of an escape valve for selected industries.

Table 1 reports the correlations between new antidumping filings per dollar of imports and GDP per capita, both across 31 countries (separately for each year from 2000 to 2008) and within each country (over the 1995-2008 period). In virtually all cases the correlation coefficient is negative, ranging from -0.12 to -0.30 by year across all countries, and negative for 28 of the 31 countries across years, generally in the -0.3 to -0.6 range. While no claims of causation can be drawn from these results they are consistent with a pattern of richer countries filing relatively fewer cases than poorer ones, and of all countries filing fewer cases as they become richer. The finding is suggestive of the weaknesses of the usage of antidumping law as a development strategy; however, a much more careful analysis would be required to sort out competing hypotheses.

V. Conclusion

This paper has attempted to provoke development (and perhaps trade) economists to take a more careful look at antidumping filings and the extent to which developing countries have been increasingly involved in this activity. Despite the title of this paper, antidumping of course remains a concern for trade flows, but is clearly now of greatest importance to the developing world. Examining the causes and effects of the trends in its use, and perhaps suggesting welfare-enhancing alternatives would be a useful direction for future research.

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Table 1. Correlations between Antidumping Cases per $US of imports and real GDP per capita (in $US)

	Within countries, 1995-2008	Across country correlations (by year)	
		2000	-0.11908
Argentina	-0.56	2001	-0.19017
Australia	-0.59	2002	-0.22412
Brazil	-0.52	2003	-0.25926
Canada	-0.48	2004	-0.22489
Chile	-0.52	2005	-0.30654
China	-0.42	2006	-0.2939
Colombia	-0.18	2007	-0.15495
Costa Rica	-0.42	2008	-0.19393
Egypt	-0.19		
European Union	-0.64		
India	-0.40		
Indonesia	-0.48		
Israel	-0.57		
Jamaica	-0.45		
Japan	0.31		
South Korea	-0.35		
Malaysia	-0.18		
Mexico	-0.63		
New Zealand	-0.58		
Pakistan	0.37		
Paraguay	-0.12		
Peru	-0.51		
Philippines	-0.56		
South Africa	-0.67		
Thailand	-0.11		
Trinidad	-0.45		
Turkey	-0.23		
Ukraine	-0.10		
USA	-0.36		
Uruguay	-0.15		
Venezuela	0.00		

Source: International Financial Statistics, WTO Antidumping Data, and author's calculations.

Figure 1

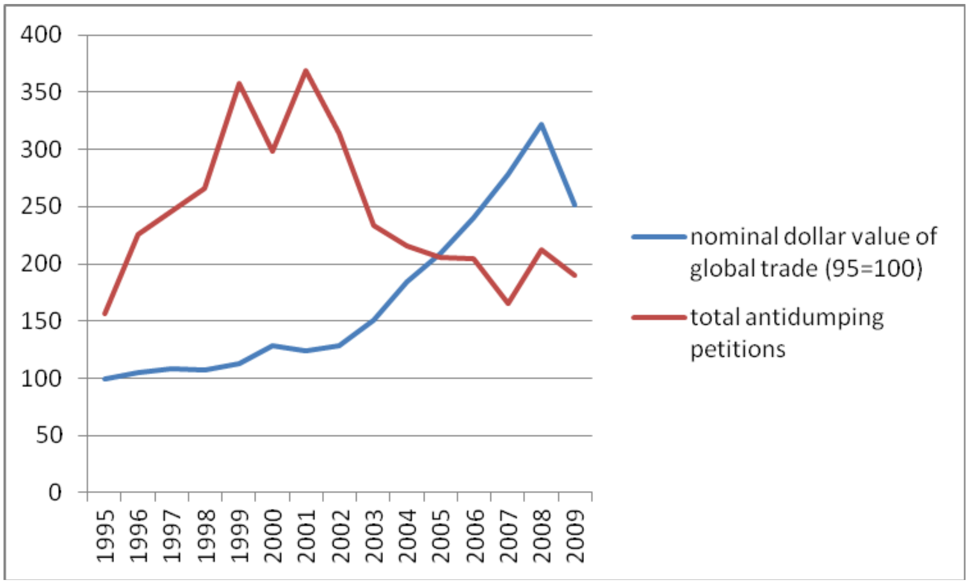

Figure 1a

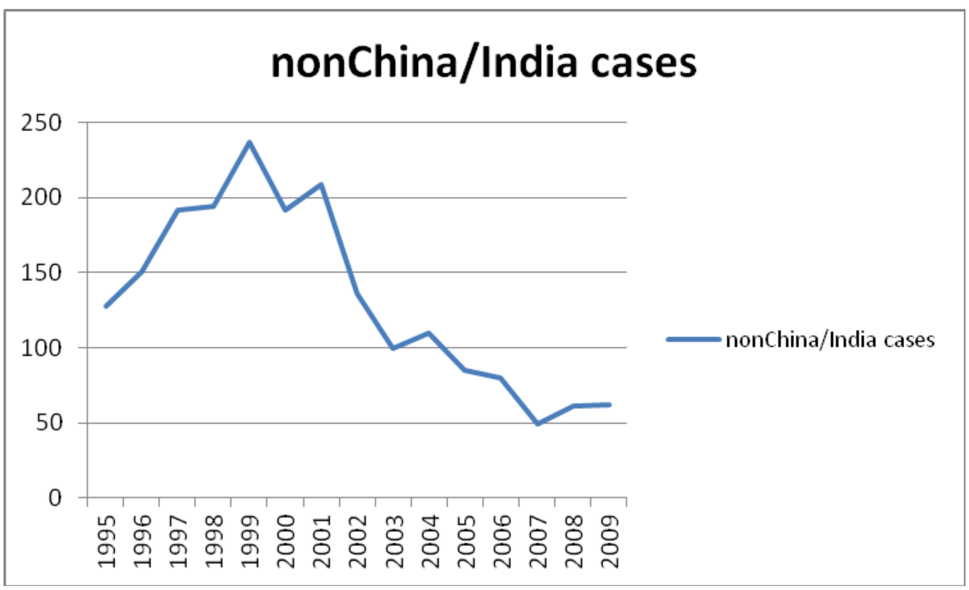

Figure 2

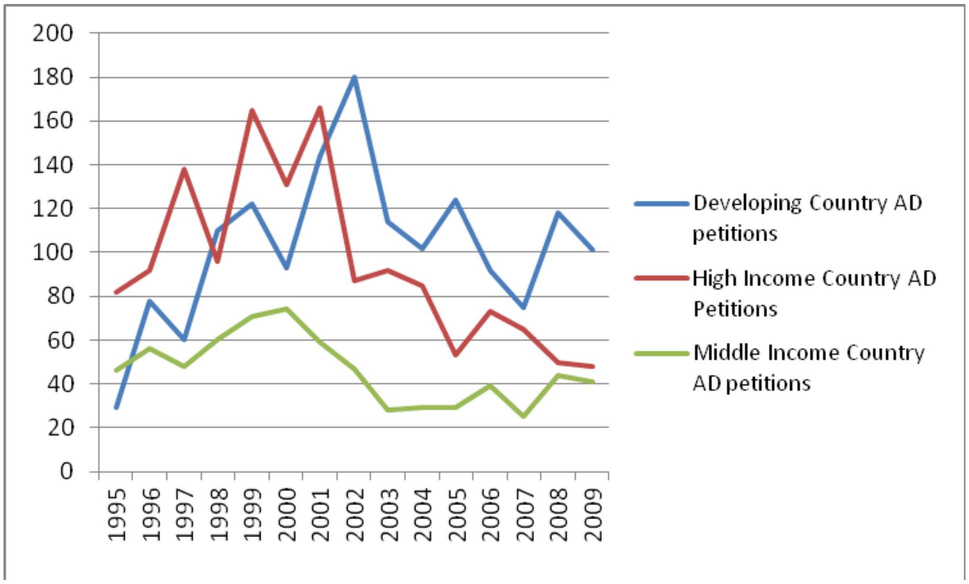

Figure 3

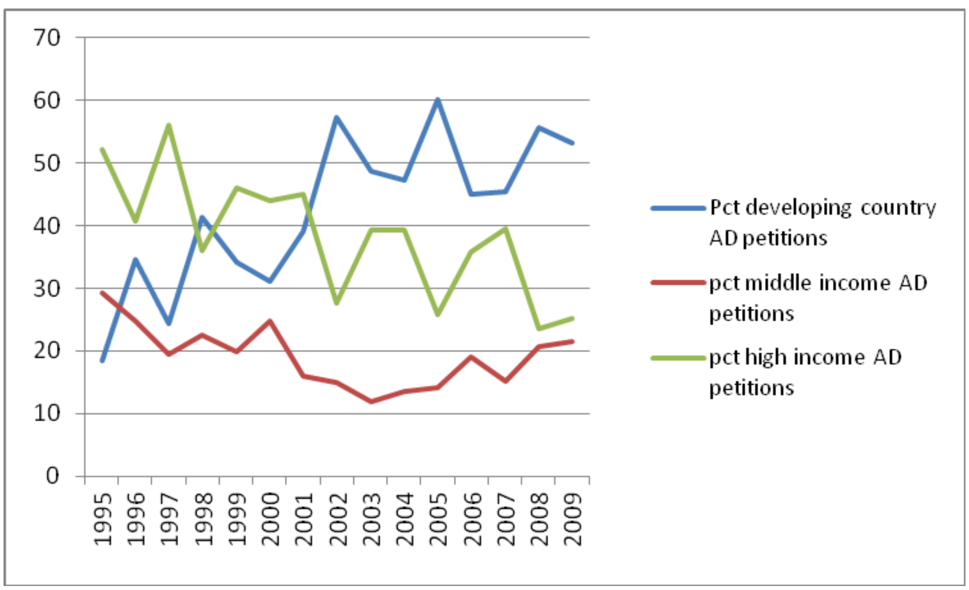

Figure 4

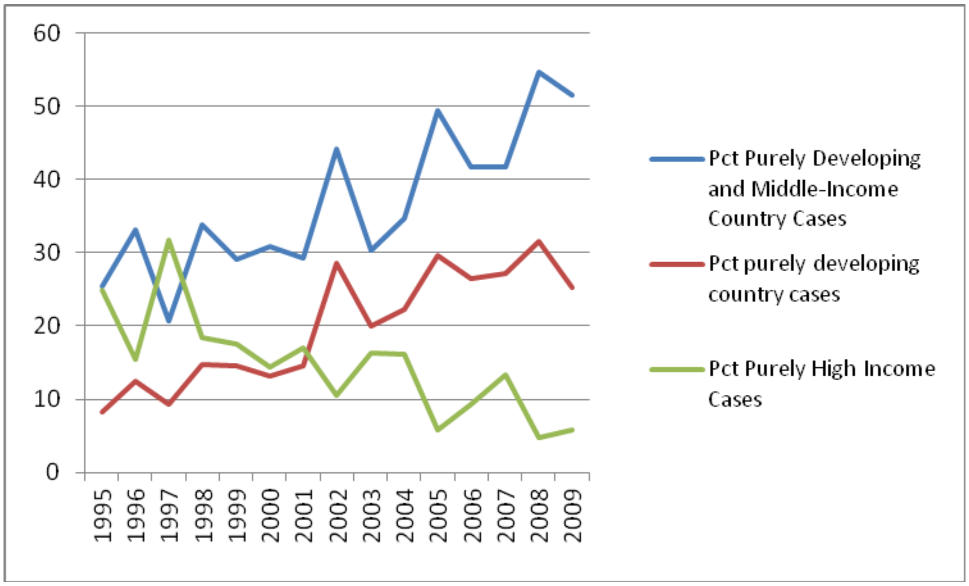

Figure 5. Leading Developing Country users of AD

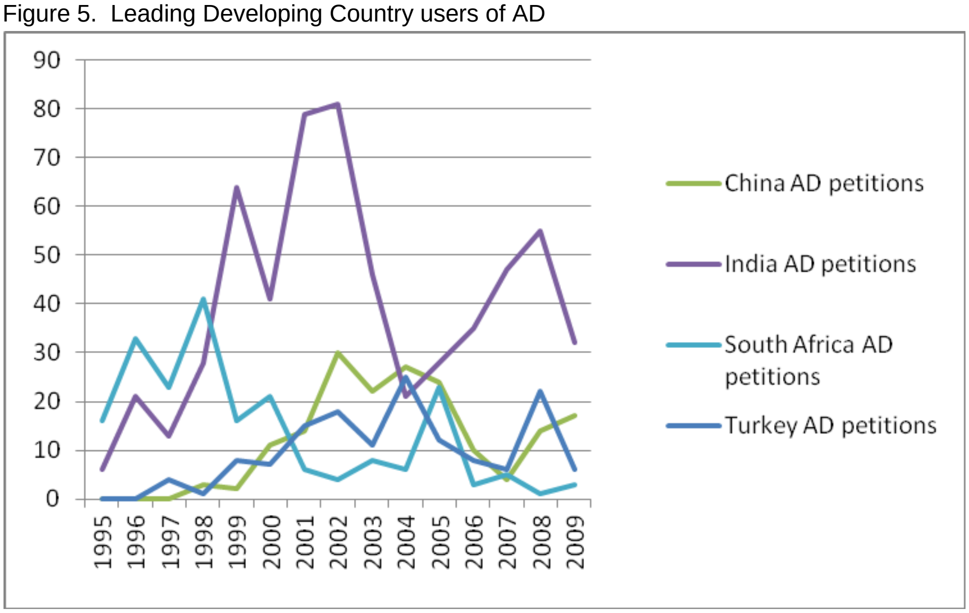

Figure 6. Leading Developing Countries involved in AD cases

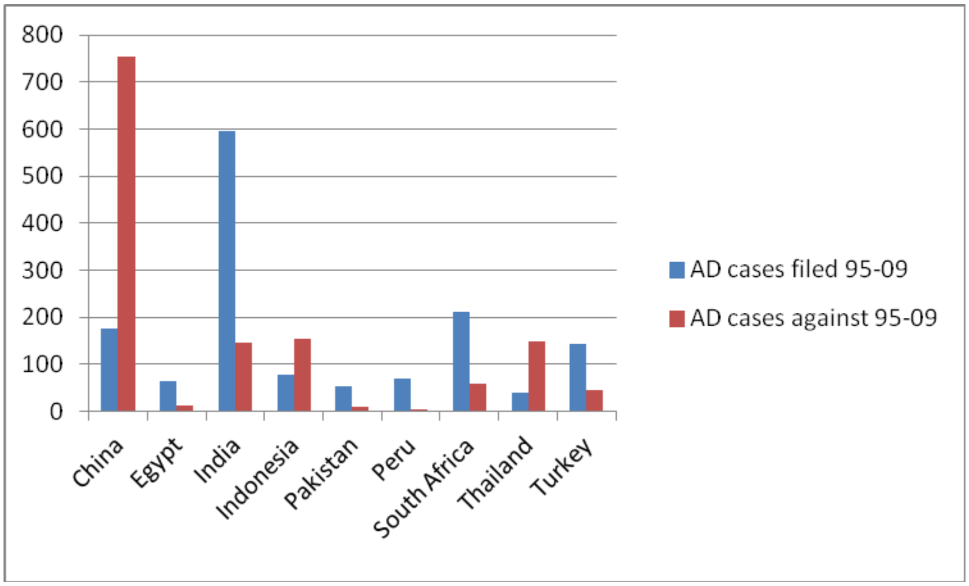

Figure 7