The Growing Problem of Antidumping Protection and What It Means For the Asia-Pacific Region[**]

(Preliminary Draft)

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Abstract

We examine trends in antidumping use with particular focus on the Asia-Pacific region, the traditional source for much of the rhetoric justifying AD protection. We show that AD is the world's biggest trade impediment primarily because of its use by new users. Twenty years ago the top four users accounted for 98% of AD actions; nowadays these traditional AD users account for only about 40% of the disputes. Once we control for size, it becomes apparent that new users are filing at prodigious rates, five, ten, and even twenty times the rate as the traditional users. We find that the proliferation has not affected the propensity for Asia-Pacific countries to be targeted by AD actions. Over the past decade Asia-Pacific countries are subject to over 40% of both new and traditional user AD actions. Interestingly, while we see that traditional and new users both tend to target industries where they are losing comparative advantage since this pattern varies across countries, AD complaints differ across source countries. In other words, the pattern of AD use says as much about the filing country as it does about the target countries.

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I. Introduction

While the public's and press's imagination has tended to focus on hot button issues such as agriculture, labor standards, and the environment, it is the dozens, if not hundreds, of other less publicly visible policies that will largely determine the success of the Doha Round of the World Trade Organization. Chief among these less celebrated policies is antidumping (AD).

AD is a fairly inconspicuous trade policy – I have never seen a picture of a WTO protestor carrying a placard lamenting the spread of AD, or for that matter praising the virtues of AD. Despite its somewhat low public profile many studies have shown that AD imposes heavy costs on both implementing and affected countries.[1] For instance, Gallaway, Blonigen, and Flynn (1999) estimate that only the Multifiber Arrangement imposed larger welfare costs on the US economy than do antidumping and countervailing duty actions.[2] Messerlin (1998) estimated that AD protection and farm policies were about equally as costly for EU countries. In terms of trade volume, Staiger and Wolak (1994) and Prusa (2001) each find that trade from affected countries often falls by more than 50% after the imposition of AD duties.

If AD protection is so costly, why has it remained a "back-burner" topic? There are two inter-related explanations. The first is quite simple: until ten to fifteen years ago the AD users club was fairly small, making it easy for countries seeking reform to believe that AD was essentially a nuisance and hence to give it lower priority in negotiations. The second reason is

[1] Even the US International Trade Commission's own study estimates that the costs of antidumping protection are high. <<get exact cite>>

[2] Data limitations require Gallaway et al. to combine antidumping and countervailing duty protection in their analysis. Given that there were more than twice as many antidumping cases as countervailing duty cases there is little sense that the primary distortion is due to countervailing duties. Perhaps more important, it should be recognized that their analysis year (1991) was one in which relatively few AD measures were in force in the US. For instance, in 1991 most steel products from most countries were covered by an OMA and were not part of the

that the four traditional users of AD – Canada, US, EU, and Australia – have believed and continue to believe that more would be lost than gained if AD were to be reformed (from a mercantilist point of view).

But these explanations are no longer supported by the facts. While AD supporters may not be surprised to hear that AD is posed to become the world's biggest trade impediment, they may be shocked when they hear its ascendancy is primarily due to the AD activity of new users. Twenty years ago the top four users accounted for 98% of AD actions; nowadays these traditional AD users account for only about 40% of the disputes. Said differently, even though AD activity among the traditional users has fallen by about 25% over the past decade, total worldwide AD activity is up over 15%. Over the past decade the number of countries with an AD statute has doubled and over the past twenty years the number of countries actively using AD has quadrupled. Put another way, within a few years the list of countries not using AD will be shorter than the list of countries of using AD. The once exclusive AD club now includes members from all parts of the globe and from all income levels.

Although the US, Australia and EU still file more cases than other countries do, it now seems inevitable they will be passed by countries such as India, Mexico, Brazil, and perhaps most remarkable of all, the People's Republic of China. Once we control for size, it becomes apparent that new users are filing at prodigious rates, five, ten, and even twenty times the rate as the traditional users. These filing trends imply that the traditional users mercantilist rationale for AD is rapidly eroding.

While some of these issues have been discussed in the literature (Miranda, Torres, and Ruiz, 1998; Prusa, 2001; Zanardi, 2002) there has been no discussion of what these evolving

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Gallaway et al. calculation. Given that the steel industry accounts for about 30% of all US actions their estimate is probably a lower bound of the impact of US antidumping protection.

trends mean for Asia-Pacific countries, the traditional target of AD protection. Supporters of AD often make reference to "sanctuary markets," "foreign cartels," and "establishing level playing fields" in their rhetoric; their comments implicitly or explicitly allude to Japan, South Korea, and People's Republic of China.[3]

During the 1980s the Asia-Pacific countries were the targets of 30-40% of traditional users' AD actions. Has the spread of AD protection changed this? Or, do Asia-Pacific countries continue to bear a disproportionate share of AD protection? We find that the proliferation has done nothing to alter the pattern: over the past decade Asia-Pacific countries are subject to over 40% of both new and traditional user AD actions.

Interestingly, we do see differences in the industry composition of trade complaints between new and traditional users. Traditional and new users both tend to target industries where they are losing comparative advantage. Since this pattern varies across countries, however, AD complaints differ across source countries. In other words, the pattern of AD use says as much about the filing country as it does about the target countries. If country A's steel industry is ailing, then country A targets South Korea's steel companies. If country B's apparel sector is ailing, then country B targets South Korea's apparel companies. If country C's tire industry is ailing, then country C targets South Korea's tire companies.

AD supporters will interpret this finding is indicating that South Korea (or Asia-Pacific countries more generally) simply dump more than others. While I present no evidence directly countering this inference, one would think that AD supporters would squirm when they realize that similar patterns are seen across virtually all target countries, including the United States and the EU. That is, other countries are targeting the whole spectrum of US industries, and which

[3] The standard arguments justifying the need for AD protection can be found in Mastel (1998) and Cohen, Blecker, and Whitney (2003).

industry is accused of dumping really depends on who is doing the naming. AD is really an all-purpose protection instrument, and it can be applied to whatever sectors target countries feel competitive pressure.

These trends suggest that Asia-Pacific countries will not only maintain their usual negotiating position that AD rules need to be reformed but in fact will redouble their efforts to move AD reform up the Doha agenda. There is reason to believe, however, that this may not be the case. Recent usage patterns suggest that the at least some Asia-Pacific countries' position toward AD is changing. As a group Asia-Pacific nations are quickly becoming aggressive users of AD protection. A decade ago Asia-Pacific countries accounted for less than 10% of AD actions; now they account for more than one-quarter of AD actions. Although the growth in AD activity is mostly confined to a few Asia-Pacific countries, it now appears that countries that have long suffered from the discretionary application of AD duties by the traditional users have learned an important lesson: AD is a convenient and WTO-consistent way to restrict foreign trade.

These evolving trends mean that Asia-Pacific nations' position toward AD reform is more complicated than in the past. On the one hand, they have been, and continue to be, subject to huge numbers of AD measures. Reforming AD rules is in their national interest. On the other hand, many Asia-Pacific nations are rapidly learning the joys of discretionary protection. Reforming AD rules will present commercial challenges to many powerful industries. For many new users the political calculus toward AD reform will soon shift (or in some cases, has already shifted) toward maintaining current rules.

The rest of the paper proceeds as follows. In the next section we give a quick primer on AD rules and protection. We then review the trends in AD measures and document the growing

set of countries using AD. In section 4 we focus on AD protection by and against Asia-Pacific countries. In section 5 we conclude by discussing how Asia-Pacific countries might pursue AD reform.

II. Antidumping Overview

Under GATT/WTO rules, antidumping law protects domestic industries from "unfair" import competition. Specifically, AD law allows a country to impose special duties on goods from a particular country or group of countries if two claims can be proven: (i) that the imported goods are being sold in the domestic at "dumped" prices; and (ii) that the imports in question are causing or threatening to cause "material injury" to domestic producers of the "like product." A main reason why AD use has flourished is that all the quoted terms are legal definitions with little or no basis in economic principles, which means that there is tremendous scope for AD abuses with little chance that the wider public will understand or appreciate what is really happening.

AD supporters argue that dumping – which is defined as either international price discrimination or export sales at prices below the cost of production – violates principles of fair trade and as such must be condemned. To the man on the street this broad description makes AD sound fine and, if anything, sounds vaguely reminiscent of antitrust law. If nothing else, the rhetoric of "free but fair" trade is irresistible. After all, who is in favor of unfair trade?

Unfortunately, as it the case with many regulations the devil is in the details. Simply put, the two criteria are defined and implemented in ways that bear little or no relationships to any

economically meaningful definition of what is fair behavior.[4] For instance, WTO rules allow a country to claim an import is being dumped even though the foreign firm charges not only higher prices abroad than it does at home, but also higher prices than its domestic competitors.[5] In the US, for example, over the past twenty-five years about 98% of the dumping determinations have been affirmative, and over the past five years the average calculated margin has exceeded 50%. But, it is not true (as AD supporters have alleged) that these statistics imply that cases are only brought against firms who have violated some reasonable business principles. No, the simple truth is that if one were to apply AD regulations to domestic markets, one would discover not only that any firm that loses money has dumped (by definition) but also that any firm that does not report double-digit profits has dumped. Lindsey and Ikenson (2002) show how a foreign producer that sells widgets in the United States at prices 13.96% higher than in its home market nonetheless winds up with a dumping margin of 7.37%.

Indeed, WTO-sanctioned methodology implies that not only have most US firms "dumped" during the bad years (when they announce losses), but also that most US firms dump even in good years (because they report single digit profit margins). Bluntly stated, according to how the GATT/WTO has defined the term almost most economic transactions involve "dumping."

Similarly, WTO rules also allow a country to determine that dumped imports have caused injury with scant evidence of injury and no formal measure of causality. In simplest terms, in AD injury analysis correlation and causality are the same. Remember, the legal standard is "material injury," and material injury can be interpreted as loosely as local authorities choose.

[4] A recent study by Lindsey (1999) finds that it is almost impossible to find any examples where dumping charges are based on economically meaningful comparisons.

[5] Lindsey and Ikenson (2002) show how a foreign producer that sells widgets in the United States at prices 13.96% higher than in its home market nonetheless winds up with a dumping margin of 7.37%.

As a practical matter, if there has been any increase in imports over the same time period that virtually any measure of economic performance has declined, imports can be blamed. Whether a similar correlations exists between dozens of other potential factors is usually beside the point.

The point of this discussion is that for all intents and purposes, AD is an almost ideal instrument of protection. First, it is sanctioned by the WTO. As a consequence, targeted countries cannot immediately retaliate to a dumping order by raising their own tariffs. Implementing countries can always claim they are just exercising their negotiated right to "level the playing field." AD law allows politicians to offer protection to politically preferred industries without blatantly violating their GATT/WTO obligations. Second, the legal standards are at best, easily satisfied and murky, and at the worst, nonsensical. As a result, AD duties always have a significant probability of satisfying the legal rules. As a result, AD duties often are nothing more than veiled protectionism. Third, at shown by Staiger and Wolak (1994), even a case that is ultimately rejected can significantly reduce trade. During the course of the investigation (usually about a year) the foreign companies are guilty until proven innocent. As a result, duties are imposed long before the final determination is made. This means that in many cases the attempt to restrain foreign rival's with higher tariffs is effectively costless: the legal fees associated with the filing are more than paid for by the increased profits stemming from the investigation effect. Fourth, subject countries can appeal the AD determination to the WTO dispute settlement body, but this is rare and the appeal process is lengthy.[6] Moreover, during the entire review process the AD duties remain in force. And then, even if its appeal is ultimately successful, the affected party has to wait for the implementing country to alter its policy. The

[6] Durling (2003) documents that only a tiny fraction of AD measures even request WTO consultations. He also finds that the typical WTO AD appeal takes more than three years to final determination.

bottom-line: even if the appeal eventually results in it the removal of the AD order, the AD action can have affected trade for five or more years.

All things considered, most people only understand the rhetoric surrounding AD and know little how AD is actually implemented. Of those in the know, all but AD's staunchest supporters recognize that AD has nothing to do with keeping trade "fair." AD has nothing to do with moral right or wrong, it is simply another tool to improve the competitive position of the complainant against other companies. As Stiglitz (1997) argues, there is essentially no connection between national welfare considerations and AD protection. It is simply a modern form of protection.

III. Emerging trends in antidumping use

In order to get a handle on how widespread AD is, I reviewed the semi-annual reports submitted to the WTO by member countries.[7] By agreement, all WTO members are required to make a semi-annual report on their use of trade remedies, including antidumping activity.[8] Using these reports I compiled a database of all AD actions filed by WTO members between 1980 and June-2002.

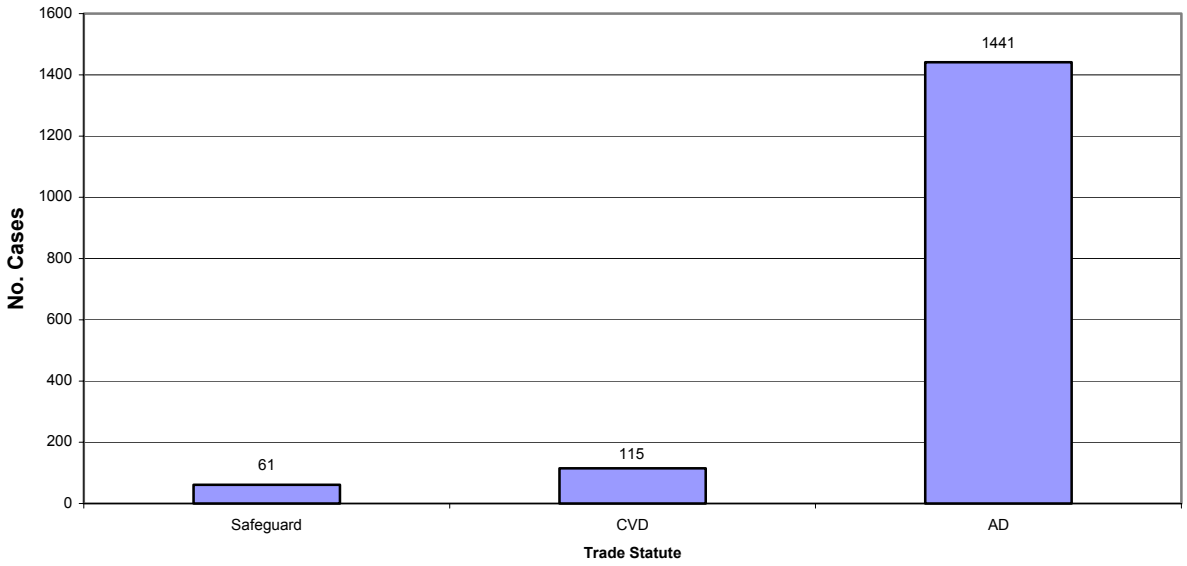
AD – The 900 Pound Gorilla

To say that antidumping is now the most popular form of international trade protection is an understatement. In terms of the quantity of trade litigation, antidumping has lapped the field – several times over. As shown in Figure 1, between 1995 and 2000, WTO members reported 61

[7] Reports are available at http://www.wto.org.
[8] Zanardi (2002) also reports AD activity by non-WTO members such as Taiwan and Russia and PR-China prior to their membership. My statistics do not include these additional disputes. Overall the differences between Zanardi's aggregate statistics and mine are minor.

safeguard investigations, 115 countervailing duty investigations, and 1441 antidumping investigations. When one recognizes that countervailing duty has long been the *second* most commonly used trade statute the filing statistics are even more astounding. Countervailing duty law takes the silver medal, but it is a distant second.

Figure 1:
Total Number of Cases Filed, 1995-2000

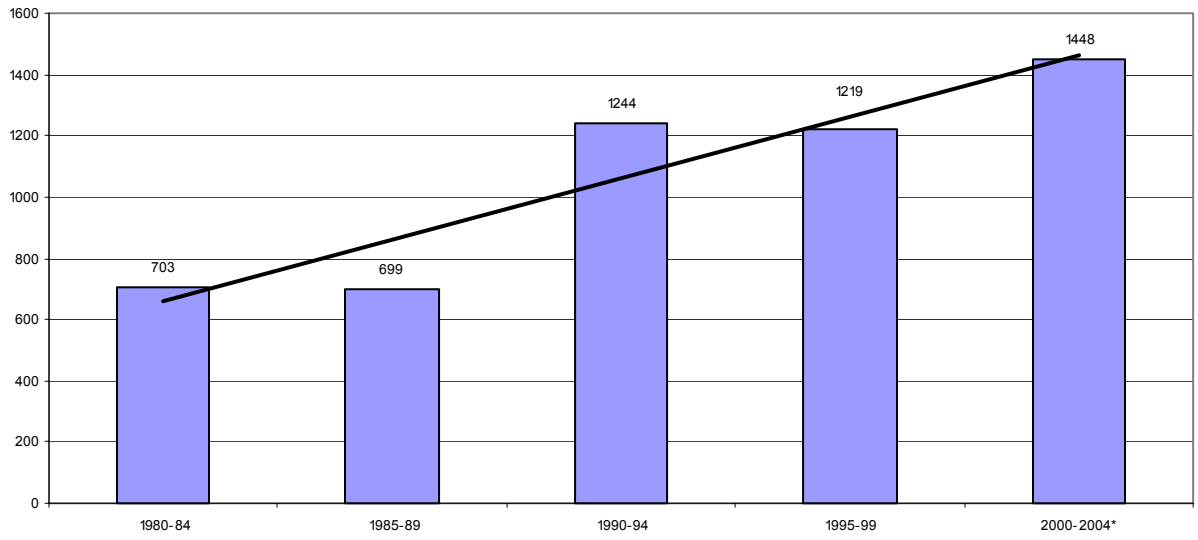


The preeminence of antidumping is neither an entirely recent phenomenon nor simply a one-year anomaly. In the United States, for instance, over the past twenty-five years there have been more than twice as many antidumping disputes as countervailing duty allegations. In fact, there have been more disputes filed under the US antidumping statute than under all other U.S. trade statutes put together. The same is true for the EU. Antidumping is simply the 900-pound gorilla of trade laws.

A Long Run Perspective on AD

There has been a steady, long-run increase in AD activity. In Figure 2 I depict the number of filings since 1980. In order to give a broader picture and also to smooth year-to-year fluctuations I have aggregated the annual statistics into five-year intervals. I have also extrapolated the data for Jan-2000 through June-2002 to come up with an estimated figure for the 2000-04 period. As shown, starting from a base of about 700 AD disputes in 1980-84, AD activity grew to over 1200 disputes in 1990-94 to over 1400 disputes in 2000-04 (estimated). The number of AD disputes has doubled since the end of the Tokyo Round, which implies AD has averaged annual growth rate of about 3.5%.

Figure 2:
No. of AD Cases Filed (worldwide)



Of course, one reason why we have witnessed such a growth in AD disputes is the growth in trade. That is, as trade increases it should not be surprising to see an increase in dumping allegations. It therefore makes sense to control for the value of imports. Filing intensity not only gives an alternative measure of the long-run growth in AD but also facilitates comparing AD

activity across countries. That is, the US and EU are the world's largest importers and, as a result, they might be expected to file more cases. A country like New Zealand, for instance, may file fewer cases but relative to what it imports, those few cases might indicate a very active AD policy.

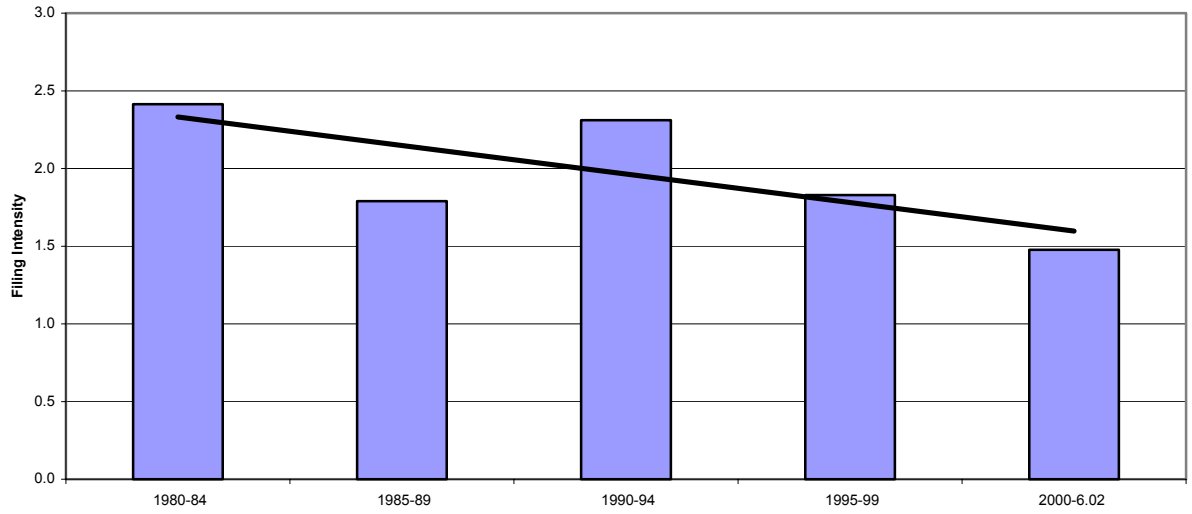
We compute an "intensity" of AD metric by calculating the number of cases per dollar of imports and normalize the "intensity" measure so that the intensity level (for the entire 1980-2002 period) of the world's heaviest AD user, the United States, is set to one.[9] Countries with intensity measures greater (less) than one file more (fewer) AD cases per dollar of imports than the US.

In Figure 3 depicts the intensity of AD filings since 1980. I also report the filing statistics for some of the major users in Table 1. A couple of interesting lessons emerge. First, even though the US files more AD cases than any other country, when measured using the intensity index, the US emerges as a fairly restrained user. On average, most other countries that file AD actions do so at about twice as intensively as the US (Figure 3). Similarly, the EU, another big traditional AD user, files a large number of cases but its AD filing intensity is puts it near the bottom of the list (Table 1). By contrast, Australia and Canada, the other two traditional AD users, not only file a large number of cases but have filing intensities that easily exceed that of the US and EU. From the mercantilist perspective these trends are a first indication that the EU and US have reason to be concerned by other countries' use of AD.

Second, one's perspective on the long-run pattern of AD usage changes depending on whether we look at the raw numbers or intensity rate. Specifically, in Figure 2 we saw that there has been a steady, long-run increase in AD activity; however, as shown in Figure 3 the intensity of AD activity has experienced a steady, long-run decrease. Overall, the intensity of AD activity

has steadily fallen about 2.4 to 1.5 over the past twenty years. In other words, even though the number of AD disputes has steadily increased, the volume of international trade has grown by an even faster rate.

Figure 3:
AD Filing Rates - Intensity Rate



Accordingly, AD supporters will embrace the trend depicted Figure 3. Figure 3 suggests that the primary lesson is the dramatic growth in international trade. That is the feature story. That there has been some accompanied increase in AD activity is not just ancillary but to be expected.

The Growth of New Users

Figure 3 does not incorporate the changing set of countries using AD protection over the sample period. Depending on the number and import intensity of new AD users, the preceding statistics might give a misleading impression of the trend in AD protection.

[9] Finger, Ng, and Wangchuk (2000) perform a similar calculation.

In Table 2 I provide some information to help identify this trend. First, note the increase in the number of countries with an AD statutes. Notice that early in the sample, only 34 nations/regions had an AD statute in their regulations governing international trade. Over time, more and more countries have codified their own AD statute. By 1990-94, the number of countries their own AD statute had grown to 45. As of mid-2002, 87 countries had enacted their own AD statute.

Of course, just because a country has a statute does not necessarily imply that a country uses it. Japan, for instance, was one of the earliest adopters of AD protection, but has rarely used it. But, over the past two decades there has been a steady increase in the number of countries using AD. The number of countries initiating AD investigations has grown from 8 (in 1980-84) to 24 (in 1990-94) to 30 (2000-June 2002).

Thus the four traditional AD users (US, EU, Canada, and Australia) have been joined by an expanding set of new users. And, the new users have not been bashful about using AD (Table 2). The share of AD cases accounted for by new users has soared from 1% (in 1980-84) to 36% (in 1990-94) to 60% (2000-June 2002).

Figure 4:
Emergence of New Users

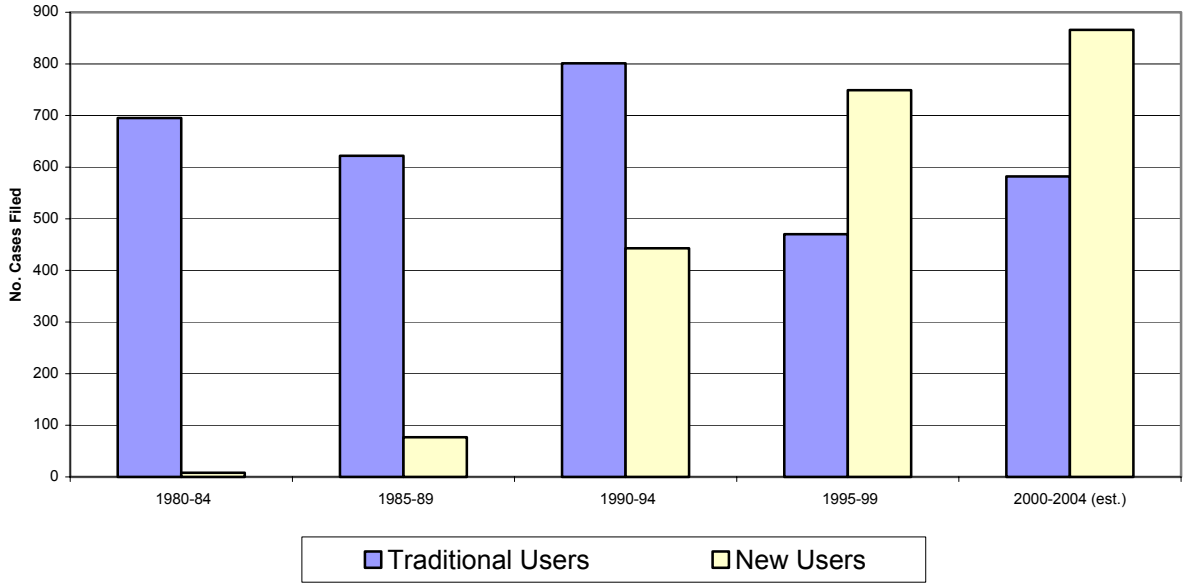
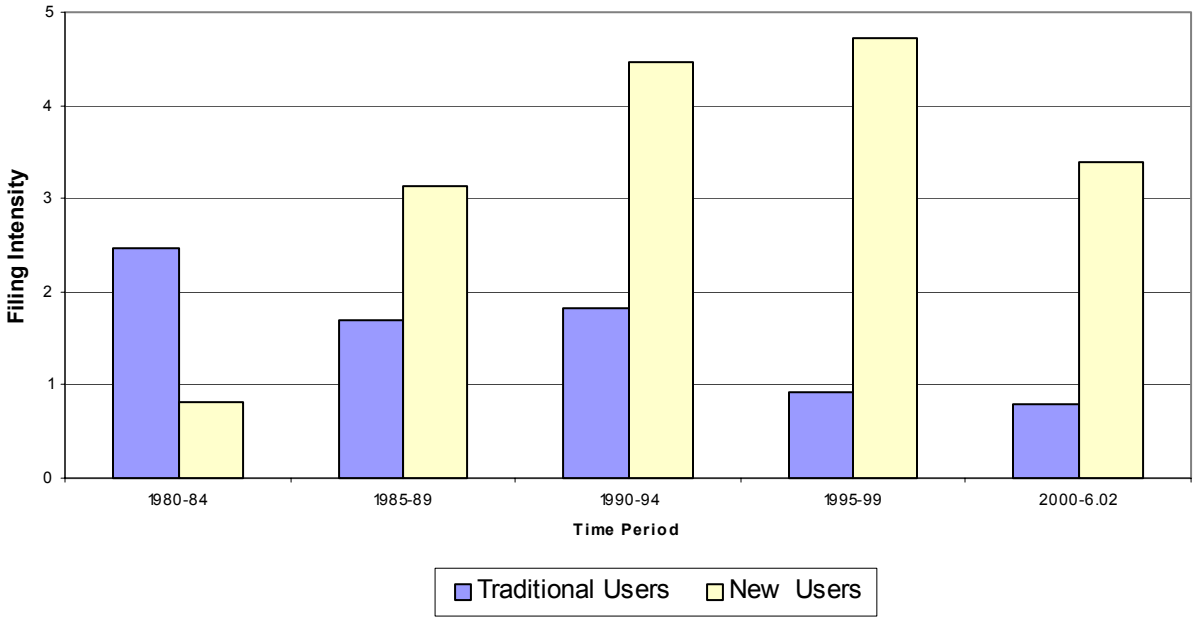


Figure 5:
Intensity Rates, New vs. Traditional Users



Differentiating between new and traditional users, we depict the number of AD cases filed (Figure 4) and filing intensity (Figure 5). Several very important features of the data

become clear. First, while overall AD disputes are on the rise (as seen in Figure 2) the use of AD by traditional users has slightly fallen (or at best remained flat) over the sample period. Thus, the overall growth in AD activity is entirely driven by the embrace of AD protection by new users. New users have gone from filing a handful of complaints in 1980-84 to filing hundreds of complaints each year in the last decade. Second, in terms of intensity of usage, new users are much more prolific in their use of AD than traditional users. While traditional users have an overall filing intensity of about 1-1.5, new users have an overall filing intensity of 3-4, more than twice the traditional users' rate. In other words, per dollar value of imports, new users file upwards of four times as many AD petitions as traditional users. Third, the role of new users is even starker when we examine the trend in filing intensity. The filing intensity for traditional users has steadily fallen over time to about 1 (i.e., the US average for the entire sample). By contrast, the filing intensity of new users has grown sharply, and has averaged well over 4 for the decade of the 1990s. The view that the growth in AD activity is simply a reflection of the growth in trade is not supported from this more detailed perspective. The filing intensity of new users, the source of the growth in number of AD disputes, has easily exceeded their import growth.

If the earlier filing trends were not enough to make US and EU negotiators appreciate the risk of unrestrained AD rules, the trends in Figures 4 and 5 surely will. New users have embraced AD in a way unfamiliar to traditional users. As shown in Table 1, Argentina and South Africa have a filing intensity of almost 17; India's filing intensity is almost 20. In other words, if a given value of imports induces the two biggest traditional obstacles to AD reform (US and EU) to file about one case, the same imports would generate 15-20 cases for some of the leading new users.

One would expect that these trends put AD supporters in an extremely uncomfortable position; they must reconcile themselves to one of the following possibilities, none of them that seem very appealing. First, AD supporters can continue to embrace AD rules as currently written and can continue to argue that AD simply "levels the playing field". In that case, they must explain why exporters (including their own) price particularly unfairly when selling to new users. Moreover, they must explain why exporters who have been successful in many other markets must resort to unfair pricing when servicing the new users. Second, AD supporters could admit that the AD system itself makes little economic sense and is simply thinly disguised protectionism. While this attitude change may eventually happen, it is highly doubtful it will occur in the near future. But if and when it does, AD supporters will have to face the reality that not only is the proverbial genie out of the bottle, but that the genie is of their own making. Third and perhaps most likely, AD supporters could argue that the rules are correct but that new users are implementing the rules incorrectly.

This is a sticky position to take on several levels. To begin with, almost all of the new users have based their AD rules on either the US or EU system. In most cases, the language of the rules is like language of the US and EU; vague language and vast amounts of discretion characterize all countries AD statutes. While there appears to some anecdotal evidence that some new users are even more casual in their dumping calculations, proving this assertion requires a careful case-by-case examination. In addition, the decided majority (about two-thirds) of WTO disputes involving AD actions have been aimed at actions of the traditional users not new users. This suggests that AD use be traditional users has caused more rancor than AD use by new users. Moreover, new users have fared about the same as traditional users in these proceedings, each having about 50% of the claims accepted by the dispute panel (Durling, 2003).

At face value, it is not obvious that new users abuse AD rules to any greater degree than traditional users. Current AD rules are inherently flexible. The fact that the same set of facts leads India to find injury but might lead the US to reject the case does not mean that the India has violated the AD agreement. Finally, getting the new users to adopt different rules for their AD proceedings means that the traditional users will have to put AD rules on the agenda. While the US reluctantly agreed to do so, its willingness to sincerely negotiate restraining AD is highly doubtful. Among many members of the US Congress, for example, the current AD system is sacrosanct and even modest revisions to AD rules could jeopardize the whole agreement.[10] Bottom-line: a serious effort to restrain the use of AD by new users is unappealing since it almost guarantees traditional users will have to amend their own AD systems.

Table 3 gives another perspective on the proliferation issue. Instead of dividing AD users into "traditional" and "new", here I classify AD users according to their income levels. The table gives new meaning to "trickle down" theory. As the table makes clear, AD proliferation has trickled down, starting from high-income OECD countries (e.g., the traditional four) to middle-income countries (e.g., Brazil, Mexico, South Korea) and finally to low-income countries (e.g., PR-China, Peru, Egypt). From 1980-84 high-income OECD countries initiated all AD cases. This is a particularly sharp finding: AD was entirely confined to rich OECD countries until the mid-1980s. While upper-middle income countries joined the AD party in latter half of the 1980s, it remained the case that not a single AD dispute was initiated by middle- or low-income countries. It wasn't until the early 1990s that AD protection spread to the poorer countries. But,

[10] On November 7, 2001 the US House of Representatives passed a resolution instructing the President to "preserve the ability of the United States to enforce rigorously its trade laws, including the antidumping and countervailing duty laws, and avoid agreements which lessen the effectiveness of domestic and international disciplines on unfair trade, especially dumping and subsidies." Similarly, in May 2002 the Senate passed the Dayton-Craig amendment which would require that any Doha Round agreements to change the unfair trade provisions of the WTO be subject to a separate vote apart from the rest of the agreement.

once they starting using AD, they embraced it. In recent years, the lower income level countries account for about one-third of all AD cases.

In Table 3 I also present the filing intensity for each income group and time period (in parentheses). As shown, OECD countries' AD filing intensity has slightly decreased and now stands close to one. By contrast, the poor countries filing intensity is much higher and is growing. In the most recent period, for instance, low income countries filing intensity is over 20.

IV. AD and Asia-Pacific

General trends – How often are they targeted?

We now turn to the question of who has been subject to AD investigations. In Table 4 I tabulate AD activity by region, where I have grouped according to the World Bank definitions. Most groupings are pretty self-explanatory: the "Americas" includes Canada, the US, and countries in Latin and South America; "EU+" includes the EU, EFTA countries, and Turkey, etc. Given its long-standing use of AD, I pulled Australia from its standard World Bank region designation "East Asia and Pacific".

Let's begin by looking at Table 4. In the top panel I tabulate by "initiations" by region against all countries. In the bottom panel I tabulate "affected" or "named" countries by region for cases filed by all countries. As one can see, the Americas are the leading users of AD followed by EU+ and Australia (top panel). Not coincidentally, these are the locations of the big four traditional users. Interestingly, the Americas and EU+ are also among the leading subjects of AD investigations (bottom panel).

To get a better sense of the new users, in Table 5 I tabulate AD filings breaking out new and traditional users. Over the past decade, new users have initiated the majority of cases

investigating exports from the Americas and EU+ (about two-thirds of the total). Overall, despite the fact that most new users didn't embrace AD until the early 1990s, the overall breadth of their activity is impressive. New users have named more source countries than traditional users (81 vs. 68) and have aimed their sights on imports from more remote regions.

In Table 5 I also totaled cases against the Asia-Pacific and South Asia regions. Largely because of their exporting success Asia-Pacific countries such as Japan, Taiwan, and South Korea have long been singled out in the rhetoric justifying AD protection. Mastel (1998) and Cohen, Blecker, and Whitney (2003) justify AD because it is the only policy available to remedy the anticompetitive effects of the (perceived) closed nature of Asian markets; or in their language, the anticompetitive effects of "sanctuary markets" and "foreign cartels."

As shown, traditional users have filed a growing fraction of their cases against Asian markets, starting from 30% in the early 1980s and rising to about 50% in recent years. Part of the increase is due to the integration of PR-China into the world trading system. In recent years about 20% of all AD cases target PR-China. Since the rules involving PR-China (and all non-market economies) differ from other Asia-Pacific countries, it makes sense if we break-out the PR-China cases. Once we drop the cases against PR-China we see that the fraction of traditional user AD cases against Asia-Pacific countries has been fairly stable, averaging about one-third of the total.

Interestingly, a roughly similar pattern characterizes usage by new users. First, AD use by new users has grown a hundred-fold since the beginning of sample. While starker than the trends presented above, this is the essentially the same trend discussed above. Second, the fraction of new users AD cases aimed at the Asia-Pacific region has grown from 13% in the early 1980s to about 40% in the early 1990s to over 50% in recent years. But, as was the case

with traditional users, many of these disputes involve PR-China. If we drop cases against PR-China the fraction aimed at Asia-Pacific has grown from 13% in the early 1980s to about 20% in the early 1990s to just about 40% in recent years. In comparison with traditional users, the new user pattern is strikingly similar. In both cases, slightly more than one-third of AD cases are aimed at Asia-Pacific countries.

General trends – How often do they file cases?

While the growth in AD activity against Asia-Pacific countries is notable, more impressive is the pattern of use by Asia-Pacific countries. As shown in Table 4, Asia-Pacific countries accounted for no AD disputes in the early 1980s and by the early 1990s they accounted for 7% of all AD disputes. In recent years, however, use by Asia-Pacific countries has soared and they now account for more than one-quarter of all disputes. It is important to point out, however, that the India is by far the biggest source of AD activity in the Asia-Pacific region. In fact India is quickly emerging as the leading user of AD is the entire world. If we drop cases initiated by India the upward trend in AD activity by Asia-Pacific countries is not so stark. For the past decade Asia-Pacific countries have accounted for about 10% of all AD activity.

In Table 6 I detail AD activity focusing solely on the Asia-Pacific region. What is striking is the high percentage of cases within the region. Specifically, about two-thirds of the AD cases initiated by Asia-Pacific countries are aimed at other Asia-Pacific countries. This result is consistent with previous findings showing evidence of "club behavior" (Prusa and Skeath, 2000); in effect, it appears that countries often aim AD protection against trading partners who are similar. At first glance, this result seems odd as it seems to suggest countries are more likely to unfairly dump in nearby markets or in markets where they have substantial

economic ties. But as we will discuss below, what this result really reveals is that antidumping charges are driven by characteristics of the local economy.

Industry Pattern

The similarity in filing patterns by new and traditional users supports the notion that it is characteristics of the Asia-Pacific economies that drive AD protection. Perhaps new and traditional users alike feel Asia-Pacific home markets are closed which allows their firms to price unfairly low in export markets. While I have no evidence directly contradicting this view, the position would be more credible if the same industries were subject to AD investigations.

To address this issue, I examined the use of AD by industry. In Table 7 I report "initiations" for the top industries (in the top panel of the table). I separate the filings by "Asia-Pacific" countries and by "All other" users. In the bottom panel I report affected industries.

The industries are ordered by use by "All other" countries. As seen, there are some similarities between the two lists, but more striking are the differences. For instance, the steel industry accounts for a lot of AD disputes in most parts of the world. For instance, "Iron and steel basic industries" and "Manufacture of fabricated metal products" account for about 28% of AD filings (top panel of the table), these are predominately due to filings by the EU and US. However, the steel industry accounts for only 13% of Asia-Pacific filings. While this is a sizeable fraction, it is only half the "All others" total.

This suggests that it must be the Asia-Pacific steel mills that are the preeminent dumpers; but as shown in the bottom panel of the table the steel industry accounts for far fewer Asia-Pacific disputes than for the other regions in the world. In other words, the steel industry outside the Asia-Pacific region uses AD to restrict trade from all sources. It does not solely target, or even disproportionately target, Asia-Pacific sources. This is evidence that AD often tells us

more about the users than it does about the targets. The US steel industry is often cited as an industry that has fallen behind their international competitors.[11]

The chemical industry is also an active user of AD. It is the leading industry among Asia-Pacific nations. The textiles industry (synthetic and natural) accounts for about 20% of Asia-Pacific AD disputes. By contrast, these industries are far less significant users for other nations.

In the bottom panel of Table 7 we report industries targeted in AD actions. As we saw in the top panel, the industry breakdown differs between Asia-Pacific nations and others. To further analyze the cases against Asia-Pacific nations, in Table 8 we report cases by new and traditional users. In this table we sort the list of top industries filed by new users. The industry most commonly investigated by new users is the chemical industry; it is the second most commonly investigated by traditional users. While the top three industries are the common across new and traditional users, after these three industries the two lists diverge substantially. The fifth most common industry among new users (Manufacture of textiles) is number 15 among traditional users. The seventh most common industry among new users (Manufacture of drugs and medicines) is number 20 among traditional users. The eighth most common industry among new users (Tire and tube industries) is number 27 among traditional users.

V. Concluding Comments

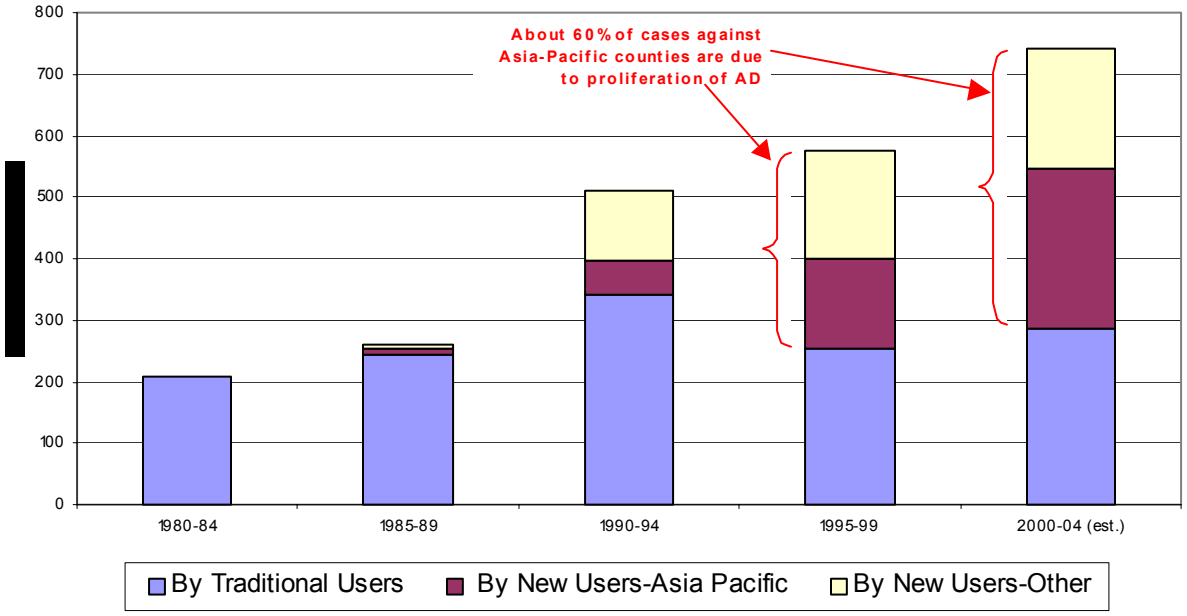
Overall, the long run trend in AD use is serious concern for the world trading system. While it has long been the leading administered trade barrier, its growth over the past two decades now makes AD the standout. On average, AD filings have grown about 36% in each of the past two decades. What is perhaps the most troubling aspect of this growth is that most of

[11] The US essentially made this claim in their 2001 petition for safeguard protection, arguing that they needed time

the growth in AD activity over the past 15 years has been due to use by countries who previously never even had an AD statute on their books. These new users have embraced AD enthusiastically, with filing rate 15-20 times those of the traditional users.

Asia-Pacific nations have been significantly affected by the proliferation of AD. They have been frequent targets of AD actions by traditional users and the rhetoric justifying AD protection subtly and not so subtly alludes to US and European fears about competing with Asian economies. Even if PR-China is excluded, Asia-Pacific economies have accounted for about one-third of all AD cases.

Figure 6:
AD Actions Against Asia-Pacific Countries



It is important to recognize, however, that it is the proliferation of AD that is the current driving force behind AD actions. As depicted in Figure 6, the number of cases against Asia-Pacific nations by traditional users has declined over the past decade. So, while the total number

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to restructure and retool.

of AD disputes against Asia-Pacific has risen, the source of the trade restrictions is different. And hence, the explanations behind the disputes are different than it was a decade ago.

Now, the main reason for the most trade disputes involving Asia is new users. New users now account for about 60% of all cases against Asia-Pacific nations. Furthermore, more than half of these cases are initiated by other Asia-Pacific nations. In other words, many of the trade disputes are intra-regional disputes.

Rather than viewing this as a problem, the intra-regional nature of many of the disputes points to a potential solution to the AD problem. Namely, regional trade agreements might be the light at the end of the tunnel. Even under the most optimistic scenarios, significant AD reform within the WTO is unlikely. The entrenched positions of the US and EU make such a scenario unlikely. On the other hand, we now have several examples of regional agreements that limit, or prohibit, AD use within the free trade area. The earliest example is the European Community/European Union who prohibits AD actions within the union. The Trans-Tasman pact prohibits antidumping disputes between Australia and New Zealand. The recent Chile-Canada free trade agreement also prohibits antidumping disputes.

If Asia-Pacific nations want to curb antidumping it is likely that the only real prospect is via regional agreements. One enough such agreements are signed, the WTO negotiations have much greater likelihood of succeeding.

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Table 1: Comparing Asia-Pacific Region with Other Major Users

Prominent AD Users	# File	Filing Intensity (index)	# Named	Named Intensity (index)
USA	904	1.00	354	0.94
Australia	822	12.32	23	2.05
European Community	663	0.84	929	1.84
Canada	490	2.48	79	0.77
Argentina	235	16.79	41	6.67
Mexico	230	2.75	63	1.43
South Africa	173	16.22	66	7.26

East Asia and Pacific	# File	Filing Intensity (index)	# Named	Named Intensity (index)
New Zealand	75	7.42	40	8.42
South Korea	74	0.89	310	4.09
Indonesia	43	10.34	107	8.54
Philippines	22	2.16	16	10.28
Malaysia	22	0.75	68	2.04
Thailand	15	0.88	120	4.91
Taiwan	6	0.46	221	3.05
Japan	6	0.15	303	1.00
China	6	0.61	474	6.27
Singapore	2	0.32	62	1.38

South Asia	# File	Filing Intensity (index)	# Named	Named Intensity (index)
India	285	19.63	118	7.91
Nepal	0	---	2	80.96
Sri Lanka	0	---	2	18.26
Bangladesh	0	---	4	40.19
Pakistan	0	---	13	6.36

Table 2: Growth of AD Law

Time Period	No. Countries with AD statute*	No. Countries Filing AD Actions	% Cases Filed by New Users
1980-84	34	8	1%
1985-89	38	10	11%
1990-94	45	24	36%
1995-99	61	32	61%
2000-6.02	87	30	60%

Source: AD implementation dates, Zanardi (2002); filing rates, author's calculations

* count at beginning of period

Table 3: AD Filing Rate (all users)

Income level (World Bank)	1980-84	1985-89	1990-94	1995-99	2000-6.02
High Income OECD	703	654	839	494	304
	(2.41)	(1.73)	(1.77)	(0.97)	(0.80)
Middle Income Upper		45	329	442	185
		(3.53)	(7.39)	(4.06)	(2.55)
High Income Non-OECD			5	21	12
			(0.79)		(0.93)
Middle Income Lower			56	97	73
			(5.42)	(3.15)	(3.18)
Low Income			15	165	150
			(6.62)	(10.88)	(21.29)
Percent Initiated by Middle Income Upper/ Middle Income Lower/ High Income Non-OECD	0.0%	0.0%	6.1%	23.2%	32.5%

Note: Intensity rate in parentheses; World Bank income classification system used

Table 4: No. AD Actions (all users)

	Against All Countries/Regions				
Initiating Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	332	368	645	479	350
East & Southern Africa	0	0	16	129	28
East Asia and Pacific	0	17	66	129	59
East Europe-Central Asia	0	0	24	12	4
Middle East	0	0	3	21	6
North Africa	0	0	0	24	9
EU+	133	132	215	193	88
South Asia	0	0	15	131	139
West Africa	0	0	0	0	0
Australia	238	182	260	101	41
Total	**703**	**699**	**1244**	**1219**	**724**
Percent by Asia-Pacific	0%	2%	7%	21%	27%
Percent by Asia-Pacific (less India)	0%	2%	5%	11%	8%

	Initiated by All Countries/Regions				
Affected Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	144	157	259	189	99
East & Southern Africa	4	6	15	24	21
East Asia and Pacific	205	256	461	524	337
East Europe-Central Asia	96	115	166	157	79
Middle East	6	9	11	17	20
North Africa	1	0	5	8	6
EU+	241	151	272	242	122
South Asia	3	3	48	51	34
West Africa	0	0	2	0	0
Australia	3	2	5	7	6
Total	**703**	**699**	**1244**	**1219**	**724**
Percent against Asia-Pacific	30%	37%	41%	47%	51%

Note: Countries classified into regions using World Bank system

Table 5: No. AD Actions (New and Traditional Users)

	Initiated by New Users				
Affected Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	0	23	126	139	67
East & Southern Africa	0	0	4	12	9
East Asia and Pacific	1	14	149	299	212
East Europe-Central Asia	1	22	60	95	35
Middle East	0	0	1	7	16
North Africa	0	0	0	4	0
EU+	6	16	80	165	73
South Asia	0	1	19	22	16
West Africa	0	0	2	0	0
Australia	0	1	2	6	5
Total	**8**	**77**	**443**	**749**	**433**
New Users - % Against Asia-Pacific	13%	19%	38%	43%	53%
New Users - % Against Asia-Pacific (less PRC)	13%	17%	22%	28%	37%

	Initiated by Traditional Users				
Affected Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	144	134	133	50	32
East & Southern Africa	4	6	11	12	12
East Asia and Pacific	204	242	312	225	125
East Europe-Central Asia	95	93	106	62	44
Middle East	6	9	10	10	4
North Africa	1	0	5	4	6
EU+	235	135	192	77	49
South Asia	3	2	29	29	18
West Africa	0	0	0	0	0
Australia	3	1	3	1	1
Total	**695**	**622**	**801**	**470**	**291**
Traditional Users - % Against Asia-Pacific	30%	39%	43%	54%	49%
Traditional Users - % Against Asia-Pacific (less PRC)	26%	36%	33%	42%	34%
Total Cases - % by New Users	1%	11%	36%	61%	60%

Note: Traditional Users are US, EU, Australia, Canada

Table 6: No. AD Actions (Asia-Pacific focus)

	Against Asia-Pacific Only				
Initiating Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	89	131	221	181	150
East & Southern Africa	0	0	3	55	16
East Asia and Pacific	0	11	47	82	45
East Europe-Central Asia	0	0	0	5	0
Middle East	0	0	0	2	0
North Africa	0	0	0	8	4
EU+	15	49	106	128	43
South Asia	0	0	9	64	85
West Africa	0	0	0	0	0
Australia	104	68	123	50	28
Total	**208**	**259**	**509**	**575**	**371**
Percent Intra-Asia-Pacific	0%	0%	2%	21%	27%

	Initiated by Asia-Pacific Only				
Affected Region	**1980-84**	**1985-89**	**1990-94**	**1995-99**	**2000-6.02**
Americas	0	0	10	18	13
East & Southern Africa	0	0	1	3	3
East Asia and Pacific	0	11	51	140	121
East Europe-Central Asia	0	0	2	40	7
Middle East	0	0	0	2	13
North Africa	0	0	0	0	0
EU+	0	5	12	49	31
South Asia	0	0	5	6	9
West Africa	0	0	0	0	0
Australia	0	1	0	2	1
Total	**0**	**17**	**81**	**260**	**198**
Percent Intra-Asia-Pacific	---	65%	69%	56%	66%

Table 7: Leading Industries (ISIC, Rev 2)
Percent of total cases

Initiating Industries	All Others	Asia-Pacific
Iron and steel basic industries	23.0%	12.2%
Manufacture of basic industrial chemicals except fertilizers	10.9%	23.4%
Manufacture of synthetic resins, plastic materials and man-made fibres except glass	7.8%	11.3%
Manufacture of fabricated metal products except machinery and equipment, nec	5.3%	0.9%
Machinery and equipment except electrical, nec	3.1%	2.2%
Spinning, weaving and finishing textiles	2.8%	8.1%
Manufacture of pulp, paper and paperboard	2.4%	5.4%
Manufacture of glass and glass products	2.1%	1.6%
Manufacture of electrical industrial machinery and apparatus	2.1%	0.0%
Manufacture of textiles not elsewhere classified	1.9%	1.4%

Affected Industries	All Others	Asia-Pacific
Iron and steel basic industries	27.5%	13.6%
Manufacture of basic industrial chemicals except fertilizers	13.5%	11.0%
Manufacture of synthetic resins, plastic materials and man-made fibres except glass	8.1%	8.4%
Manufacture of fabricated metal products except machinery and equipment, nec	4.0%	5.9%
Manufacture of pulp, paper and paperboard	3.7%	1.5%
Machinery and equipment except electrical, nec	3.2%	2.8%
Manufacture of drugs and medicines	2.4%	2.4%
Spinning, weaving and finishing textiles	2.4%	4.8%
Manufacture of electrical industrial machinery and apparatus	2.2%	1.4%
Manufacture of fertilizers and pesticides	2.2%	0.6%

Table 8: AD Filings Against Asia-Pacific Countries; leading industries (ISIC, Rev 2)

	New Users		Traditional Users	
	Percent	Rank	Percent	Rank
Manufacture of basic industrial chemicals except fertilizers	14%	1	9%	2
Iron and steel basic industries	10%	2	16%	1
Manufacture of synthetic resins, plastic materials and man-made fibres except glass	8%	3	8%	3
Spinning, weaving and finishing textiles	7%	4	4%	6
Manufacture of textiles, nec	4%	5	2%	15
Manufacture of electrical apparatus and supplies, nec	4%	6	2%	10
Manufacture of drugs and medicines	4%	7	2%	20
Tire and tube industries	4%	8	1%	27
Manufacture of footwear, except vulcanized or moulded rubber or plastic footwear	3%	9	1%	34
Manufacture of motorcycles and bicycles	3%	10	1%	23
Manufacture of chemical products, nec	3%	11	3%	7
Manufacture of glass and glass products	3%	12	3%	8
Manufacture of fabricated metal products except machinery and equipment, nec	3%	13	8%	4