

Antidumping, Reciprocity, and the WTO

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December 2006

Preliminary and Extremely Incomplete Draft

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Abstract

The government of an exporting industry that is adversely affected by a foreign country's new import restriction has a number of possible choices for how to respond, given the rules and procedural realities of the self-enforcing WTO system. We estimate determinants of a model in which the government has three choices: seek to rebalance concessions via a formal WTO trade dispute; seek to rebalance concessions informally via a same-industry, retaliatory import market access restriction; or not seek to rebalance concessions at all. We then use the terms-of-trade and commitment-based economic theories of the WTO to guide our examination of determinants of such a government's legal-political choice. We estimate the model on a sample of government responses to their exporters being hit with new antidumping import restrictions imposed over the 1995-2003 period. The sample derives from measures imposed by 18 developed and developing countries that constitute over 90% of antidumping import restrictions by WTO members during the time period. Our preliminary results indicate evidence from this new setting that is consistent with the theories of the WTO. Specifically, the policy response of an exporting country in the face of a new trade restriction is affected by economic and political incentives such as the lost value of trade, the industry and country's capacities to retaliate within and outside of the WTO, and the initial rent-sharing structure of the trade-restricting measure.

JEL No. F13

Keywords: Reciprocity, WTO, Antidumping

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I gratefully acknowledge financial support from the Development Economics Research Group at the World Bank. All remaining errors are my own.