

Protection Reduction and Diversion: PTAs and the Incidence of Antidumping Disputes^{*}

Thomas J. Prusa
Rutgers University and NBER

Robert Teh^{**}
World Trade Organization

December 6, 2006

Abstract

We analyze the extent to which preferential trade agreements (PTAs) affect the incidence of antidumping (AD) disputes. Using bilateral data our estimates imply that AD provisions in PTA agreements have decreased the number of AD disputes between PTA members by 25-55%. The estimated impact is even larger when the analysis is based on aggregate filing patterns. We also find that PTAs have led to a 10-30% increase in AD actions against countries outside the PTA. Our results imply that there is a protection analogue to the standard “trade creation-trade diversion” impact of PTAs. On the one hand, PTA members are spared from AD actions (“protection reduction”). On the other hand non-PTA members face even greater AD scrutiny (“protection diversion”). This paper is the first to empirically estimate this additional avenue for discrimination via PTAs.

We also investigate the extent to which the decrease attributed to AD provisions might be related to PTA membership but be primarily driven by other PTA-related phenomenon rather than the PTA’s AD rules. For instance, membership in a PTA could result in better relations between countries, stronger political ties or even outright favoritism toward PTA members. All of these could result in less intra-PTA AD activity but have nothing to do with the explicit AD provisions. We find, however, large and a significant differences between PTAs with and without explicit AD rules which suggests that AD rules matter. Alternatively, AD disputes might fall as a result of greater investment ties between PTA members. For instance, PTA investment rules might induce investment deepening (i.e. more multinational trade) which in turn might lead to a decrease in AD petitions. We find that the investment provisions in PTAs do reduce the incidence of AD disputes. Nevertheless, we continue to find that AD rules remain a significant independent explanation for the reduction in intra-PTA AD disputes.

Unlike earlier studies that have restricted their analysis to a specific PTA or to a handful of countries, the results in this study entail the widest possible scope of countries and PTAs. With respect to AD coverage, our dataset contains information on all AD disputes between WTO members since 1980 (more than 5,000 AD disputes). With respect to PTAs, we have information on AD provisions in 80 PTAs. To our knowledge this is the most comprehensive compilation of PTA provisions that exists; the PTAs in our dataset account for virtually all PTA-related trade.

^{*} Paper prepared for the World Bank conference on antidumping. We thank Philippa Dee for generously providing us with her tabulation of investment provisions in PTAs. We would also like to thank the staff of Economic Research and Statistics Division at the WTO for their support. Without their efforts this paper would not have been possible.

^{**} The views presented are solely those of the authors and do not necessarily represent those of the WTO or the WTO Secretariat.