

# Anti-dumping policies in the EU and trade diversion<sup>☆</sup>

Paul Brenton<sup>\*</sup>

*Centre for European Policy Studies, Place Du Congrès 1, B-1000 Brussels, Belgium*

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## Abstract

Anti-dumping actions are by nature discriminatory. Imports from targeted countries are discriminated against relative to domestic producers but also relative to imports from non-named countries in the rest of the world. This paper analyses the impact of anti-dumping actions in the EU, distinguishing between the impact upon named countries, non-named countries in the rest of the world and non-named countries in the EU. The results suggest that anti-dumping policies cause trade diversion and that this diversion is primarily to non-EU suppliers. © 2001 Elsevier Science B.V. All rights reserved.

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## 1. Introduction

The purpose of this paper is to investigate the effects of EU anti-dumping measures. Anti-dumping actions are by nature discriminatory. Imports from targeted countries are discriminated against relative to domestic producers in the EU,

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<sup>☆</sup> Information on anti-dumping cases are taken from various editions of *The Annual Report from the Commission to the European Parliament on the Community's Anti-Dumping and Anti-Subsidy Activities* and the relevant issues of the *Official Journal of the European Communities*. The trade data were obtained from the *Comext* database of Eurostat.

<sup>\*</sup> Tel.: +32-2-229-3936; fax: +32-2-219-4151.

*E-mail address:* paul.brenton@ceps.be (P. Brenton).

and also relative to non-named extra-EU countries.<sup>1</sup> It is therefore not necessarily the case that firms initiating anti-dumping procedures will be beneficiaries of restrictions on imports from the named countries. Trade can be diverted to other suppliers in the EU and to non-named suppliers in the rest of the world. In this case, the effect of the removal of the duties or the ending of price undertakings will be felt beyond the complainant firms.

The focus of this paper is to assess the extent of trade diversion associated with EU anti-dumping actions. Previous empirical studies suggest that trade diversion has been important in the EU in the 1980s (Messerlin, 1989) and in the US (Prusa, 1997). The first section of the paper provides a simple graphical analysis of the economic impact of EU anti-dumping actions on trade within the EU, imports from named countries and imports from other countries in the rest of the world. The paper then proceeds to an econometric analysis of trade diversion in EU anti-dumping policies. A final section provides conclusions.

## **2. The economic impact of EU anti-dumping actions**

This section considers whether the trade restrictions (or undertakings) divert trade to non-named countries, either in the EU or in the rest of the world. I use data for a range of cases initiated between 1989 and 1994.<sup>2</sup> In total, there are 98 anti-dumping cases involving 47 products.<sup>3</sup> Of these, 31 cases resulted in no further action due to lack of dumping, lack of injury, or 'other reasons'. Overall, during this period 193 cases were initiated but some cases against countries of the former Soviet Union and Yugoslavia are excluded due to the absence of comparable trade data over time. Also excluded are investigations involving reviews of existing cases and cases where anti-dumping measures were currently or previously in force, since the pre-announcement data will be clouded by the earlier actions. Thus, here we look at first investigations of dumping and exclude cases where trade flows may be affected by existing or previous actions. A small number of regional investigations, that is, cases relating to a single member of the EU, are also excluded.<sup>4</sup>

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<sup>1</sup> There are cases where all significant suppliers of a product are named in an anti-dumping petition.

<sup>2</sup> Cases prior to 1989 have previously been analysed by Messerlin (1989). Thus, our sample is completely different to that of Messerlin and so this study provides an assessment of the robustness of the results presented in that paper.

<sup>3</sup> We use trade data at the eight-digit level of the HS. When the anti-dumping action refers to a number of eight-digit codes we sum across these, rather than include them all individually, since the aggregate is the relevant market.

<sup>4</sup> More precise details of the products and suppliers covered by these cases are available from the author.

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