

Are there Positive Impacts for Adopting Lesser Duty Rule in Anti-dumping Investigations

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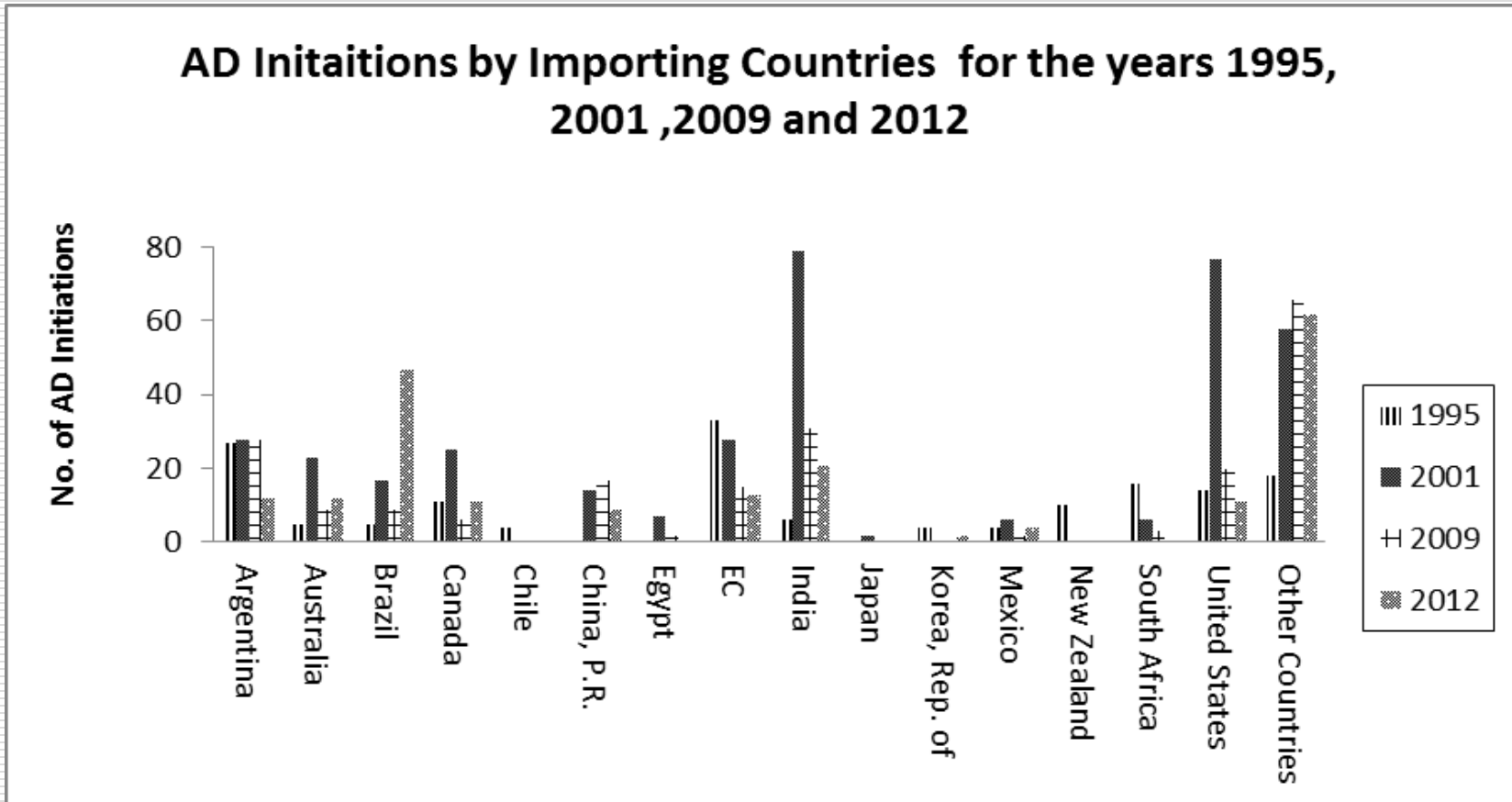
Background: Antidumping

- Antidumping (AD) is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value (Varshney,2002),
- AD duties are fairly easy to follow if there is proven dumping, injury to the domestic industry, and a causal link between both,
- There has been a tendency to use AD duties by developed countries since early 1990's to protect domestic industries from unfair competition of imports,

Background: AD and Developed Countries

- However, AD duties tends to harm consumers as domestic prices increase once a dumping investigation is initiated,
- Developed countries realized the negative impacts that results from the imposition of dumping and decreased its use for the AD,

Background: Usage of AD



Source: Calculated by author from AD statistics available at: www.wto.org

Background: *Lesser Duty Rule (LDR)*

- Article 9.1 in the AD Code stipulates that *“It is desirable that the antidumping duty be less than the margin, if such lesser duty would be adequate to remove the injury to the domestic industry”*,
- Since the launch of the Rules Group within the framework of the Doha Development Agenda in 2002 the FANs Group, India and Brazil have put the LDR topic on the negotiating table and submitted a number of proposals on the mandatory application of LDR,
- The main objectives of the LDR proposals were to curb the impact of AD duties that are higher than necessary to counteract that injury suffered by the domestic industries.

Research question

- Can LDR result in higher consumer welfare compared to the application of full dumping?

The Partial Equilibrium Model

- Partial Equilibrium, static, TAPES model with production: Nested import aggregation function, CES for imports using a Translog function for imports and CES for exports,
- Trade balance constraint and an endogenous exchange rate variable to equilibrate the trade-balance constraint.

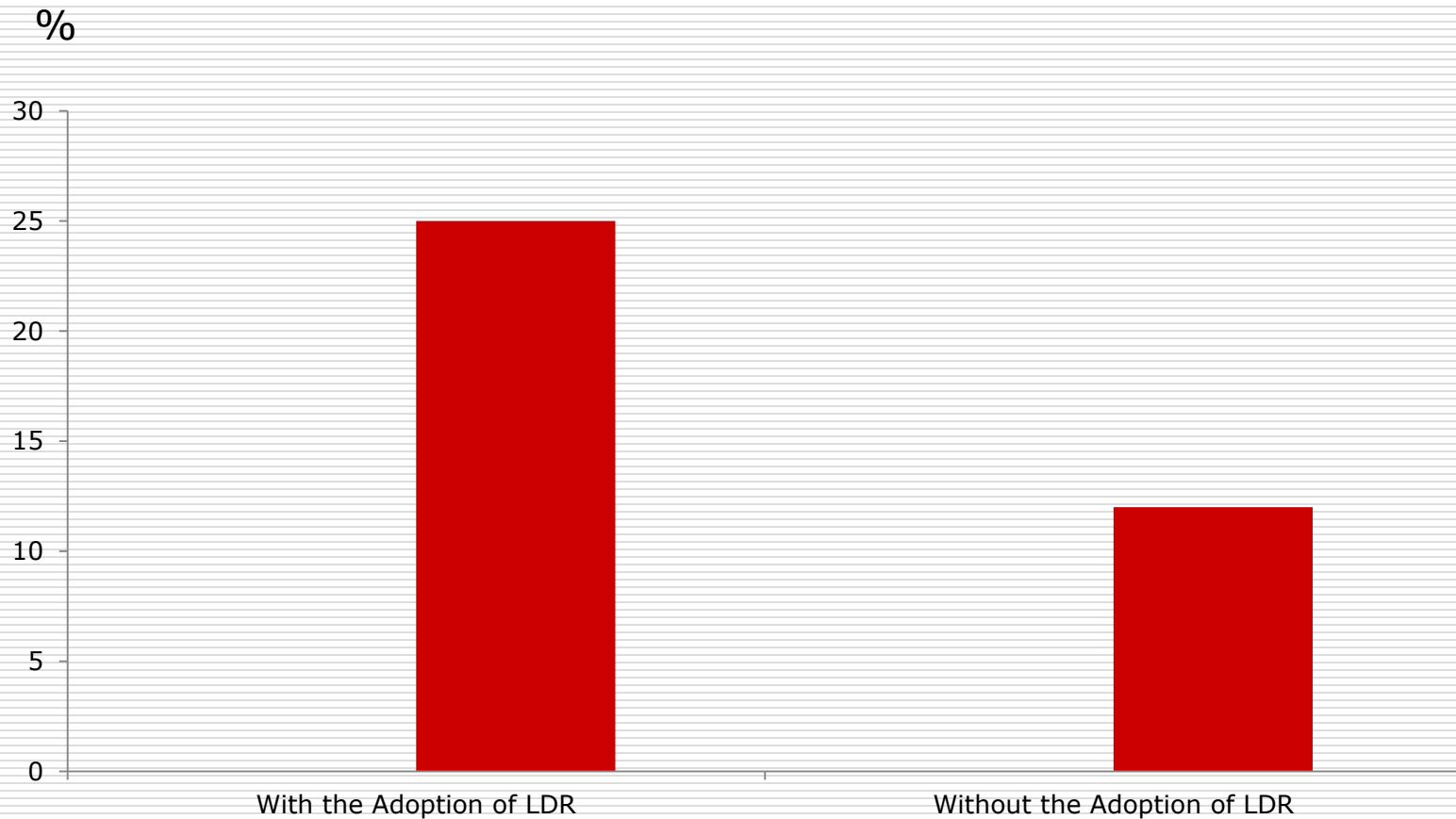
The Model Data

- Trade partners :India, Brazil, China, Argentina, and South Africa,
- Sectors: 72 manufacturing sectors,
- Production and Trade data for the same sectors are used from the Central Agency for Public Mobilization and Statistics for 2013,

Policy Simulation:

- The application of full dumping margin to AD investigations against China for light trucks and heavy trucks that amounts to 120 percent of the CIF value of imports,
- The application of LDR to AD investigations against China for light trucks and heavy trucks that amounts to 120 percent of the CIF value of imports.

Results: *Consumer Surplus*



Policy implications

- The adoption of LDR improves consumer welfare compared to the adoption of full dumping margins in AD investigations,
- LDR helps in lessening the impacts of distortions that are created by the imposition of AD duties in the domestic market,
- We recommend the mandatory use of LDR rule in AD investigations initiated by the Egyptian authorities.

Thank you

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