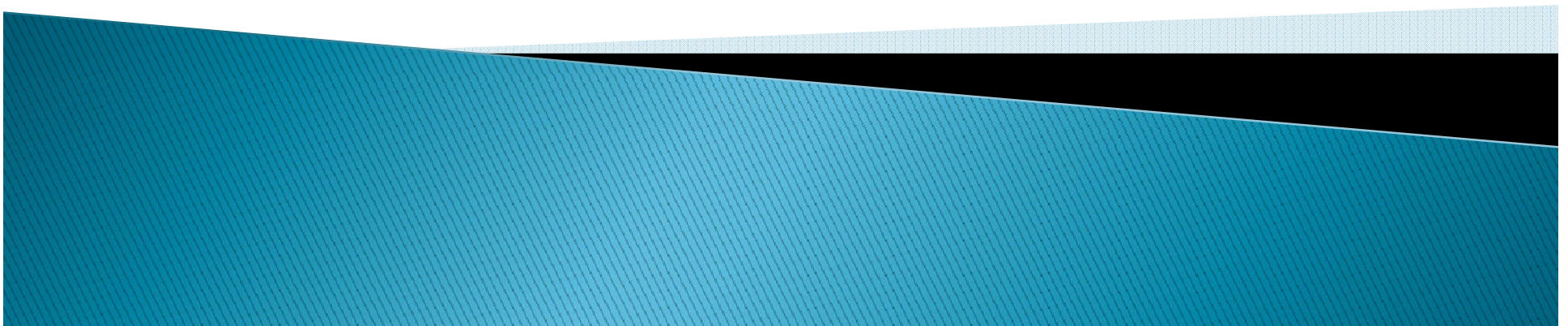


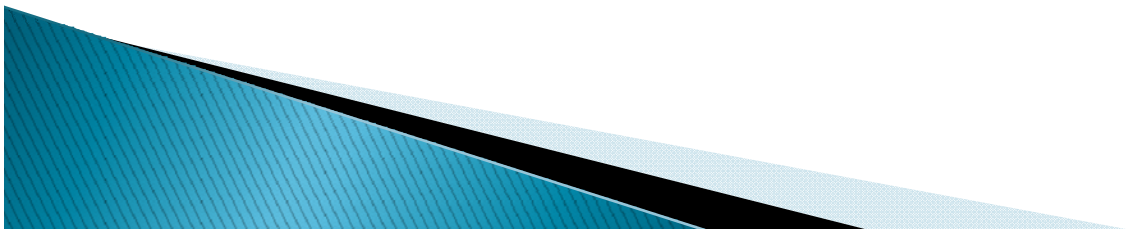
Antidumping in the Aggregate by Kim J. Ruhl

Discussion, SHUFE–FRB Dallas
2012 Conference on International Linkages



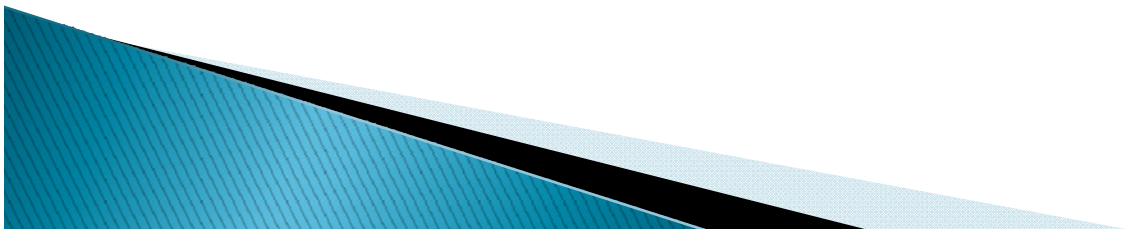
Delivers what it promises

- ▶ Theory of heterogeneous firms in general equilibrium has overlooked anti-dumping duties
- ▶ Dumping is reasonably assessed as a large-firm issue- firm size matters
- ▶ This study brings the theory up to date to allow for analysis of aggregate outcomes



Clear underlying mechanism

- ▶ Low-cost (large) firms most likely to be slapped with AD duties
- ▶ Large firms charge markup in excess of Dixit–Stiglitz markup to reduce probability of incurring AD duties
- ▶ Model can cleanly replicate median AD in US
- ▶ Embodies complex political process within two useful random policy variables (when duties start and when they end)

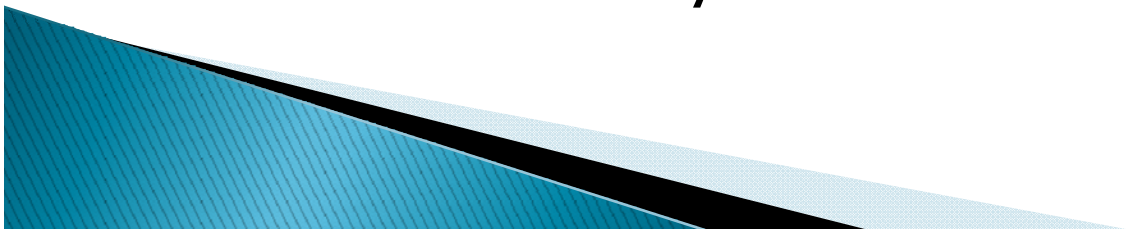


Interesting result

- ▶ Removing home AD duties increases exports by large foreign firms
- ▶ In contrast, reducing a normal (uniform) tariff increases exports by all foreign exporters

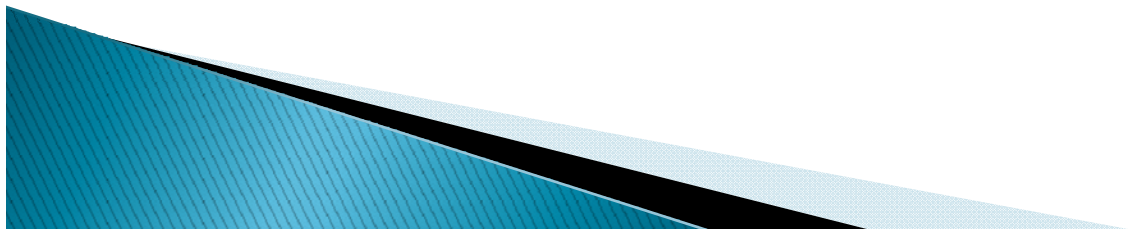
⇒ Eliminating AD results in a greater reduction in P_T than a comparable reduction in a uniform tariff, but little change in extensive margin of trade

⇒ Intra-industry reallocation important



Question

- ▶ Elimination of AD reduces P_T more than an export–share–preserving reduction in a uniform tariff
- ▶ Why doesn't it have a bigger welfare impact?
 - P_N does not change in either case
 - P must also fall more when removing AD
 - Utility depends only on consumption, and shouldn't consumption increase more when P falls more, if this is a permanent policy change?



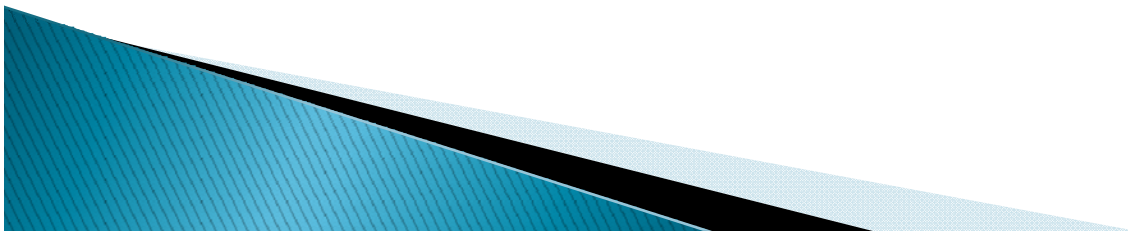
A new discovery (!)

- ▶ In old models of tariff duties, efficiency loss from tariff comes from reallocating production away from more efficient foreign firms toward less efficient domestic firms
- ▶ ADs reallocate production toward less efficient domestic and less efficient foreign exporters
 - How big is this effect (compared to case of uniform tariff, for instance)?
 - Graph output by foreign firms across prod levels before/after removal of AD?



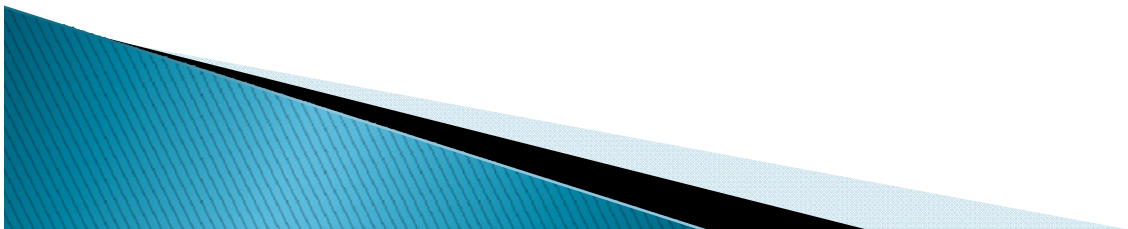
The elephant in the room

- ▶ Old-school definition: Dumping is when a *firm* charges a higher price at home than abroad
- ▶ There is no price discrimination in this model
- ▶ Strictly speaking, dumping in this model is only a policy construct arising from systematic measurement error



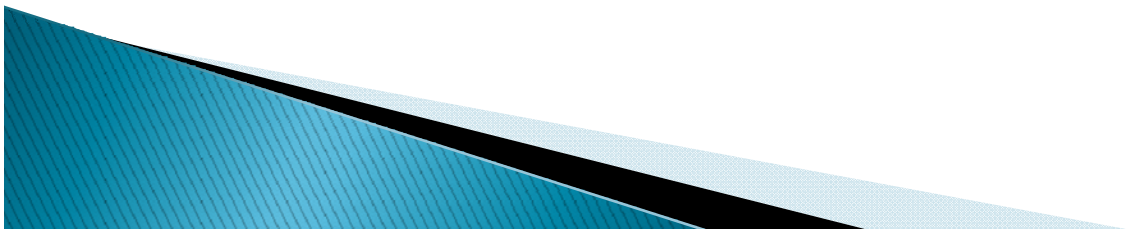
An extension to tame the elephant

- ▶ Until a few years ago, there were no models with heterogeneous firms and endogenous markups
- ▶ Now there are several
- ▶ I suggest trying one with price competition by Antonio Rodriguez-Lopez (REStud) or AB's Cournot competition
- ▶ Without endogenous markups, the experiment understates welfare effects of removing AD
 - Unrestricted foreign firms might charge a lower markup for exports if exporting to a country with a more contested market or better available technologies



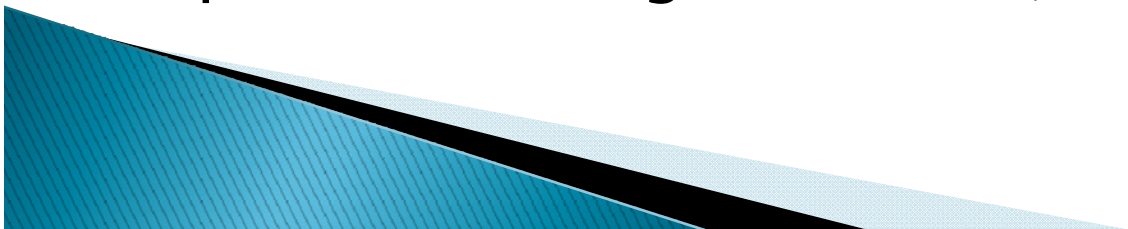
Exploiting the power of GE

- ▶ What GE effects are important?
 - Is it just about estimating the uniform tariff equivalent to ADs
- ▶ Is there a wage effect in the baseline model?
- ▶ Future
 - Would it be interesting to think about adding labor market frictions in future work to link anti-dumping duties to employment or union activity? Right now, labor is fixed.
 - Staiger and Wolak (1992), Blonigen and Wilson (2005)—demand shocks and cyclicalities of dumping focusing on capacity constraints
 - How about big exchange rate changes and the incidence of ADs? (South Korea and steel)



Politics and the Dispersion of ADs

- ▶ The author modestly points to a shortage of small duties in the predicted distribution of ADs as a deficiency in the structure of the model
- ▶ It could indicate the scope of political economy in governing the application of duties, especially with the median duty achieving less than “fair value”
- ▶ Could many small ADs be applied to appease big donors (see work by Evans), or might the US apply ADs smaller than the statutory mandate to preserve foreign relations, etc.?



Summary

- ▶ An interesting new agenda for the analysis of trade policy in the era of WTO (and Melitz)
- ▶ Lucid, relevant, carefully executed analysis
- ▶ Some additional intuition behind welfare comparisons would be helpful
- ▶ Many compelling avenues for extension or future papers analyzing dumping from a macro perspective

