

Anticompetitive Effects of Antidumping

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AD goes well beyond “level playing field”

- Strategic & anticompetitive effects of AD not recognized or overlooked
 1. Facilitates collusion
 2. Win even if you lose
 3. Raising rivals' costs
 4. Foreign Direct Investment
 5. Merger Analysis

Facilitates collusion

- Creates opportunity to arrange anticompetitive reductions in trade
 - Shrimp (Mexican producers excluded)
 - Foreign affiliates
 - Undertakings
- Creates opportunity to punish firms who deviate from cartel-like arrangement

Win even if you lose – Investigation Effect

- Once Preliminary AD duties imposed, trade volumes fall dramatically
- Estimates are that half the impact on trade occurs during the investigation
 - My experience indicates this probably under-estimates impact of preliminary duties
- Trade impact can be significant enough that the “investigation effect” alone makes the case profitable

Win even if you lose – Investigation Effect

- AD Filing is marketed to using industries as generating a higher rate of return than other business investments
- Such short-sighted and non-customer-specific focus is at the heart of many ailing industries problems
 - Prime example: US integrated steel-makers
 - Minimills?
 - Ken Iverson: “protection equals stagnation”

Raising Rivals' Costs

- Filing or threat of filing increases the costs to service domestic market
- Foreign rivals
 - Direct cost of duty (often prohibitive)
 - Threat of duty
 - Discourages foreign firms from making investments in US market that deepen trade ties

Raising Rivals' Costs

- Domestic rivals

- Use AD to hurt domestic firms who have globalized their supply chain (e.g., shrimp case, live swine, slab-rollers, etc.)
- Use AD to hurt domestic firms who have adopted new technology
 - AD reduces the incentive to adopt technology because industries can remain in the market due to closing of import market)

Foreign Direct Investment

- Protection can cause foreign firms to invest in order to avoid being foreclosed from market.
 - Autos (too many to list).
 - Steel (Severstal purchase of Rouge Steel).
 - Brother Industries v. Smith Corona Corp.

Foreign Direct Investment

- But, is this a trend the US wants to encourage?
 - Two largest markets: India and China
 - India: the world's most active user of AD protection (table)
 - China: rhetoric sounds like it will become a large AD user
 - If US firms want to maintain presence in these important markets, they may well have to make more investments than they would otherwise chose to do
- Therefore, AD may well encourage outflow of capital investment
- And, hence, effectively contribute to more outsourcing

Top AD Users - 2002

Country	Number
India	80
US	35
Thailand	21
EU	20
Australia	16
Argentina	14
Peru	13
PR-China	11

Merger Analysis

- With the **average** US AD duty in the 60-70% range, AD protection usually results in the cessation of imports
- As a result, domestic mergers (which may well be the economically sensible strategy) will be particularly anticompetitive