

How Do Exporters Respond to Antidumping Investigations?

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Summary

Despite the increasing trend in international trade due to rounds of tariff reductions and advancements in telecommunications and logistics, we have witnessed persistent and even increasing use of contingent trade protection policies. In particular, governments around the world have resorted to antidumping measures, which are permissible under the World Trade Organization (WTO) rules and regulations, to protect their firms and industries, especially in times of economic difficulty. The widespread use of antidumping measures has spurred economists to study their effects on firm behavior, which has significant implications for national competitiveness and long-run economic growth.

While significant insights have been gained from the literature regarding the effects of antidumping measures on protected domestic firms and industries, much less is known about the corresponding impacts on affected foreign exporters. Understanding how affected foreign exporters respond to antidumping measures is, however, an essential component in piecing together a picture of market competition between domestic firms and foreign exporters in both the short run (i.e., right after antidumping measures) and the long run (i.e., after the expiration of antidumping measures) and its implications for industry dynamics and the national economy. Moreover, understanding whether affected exporters should continue their exporting behavior in response to the negative shocks generated by antidumping investigations complements the existing firm heterogeneity literature, which focuses primarily on the decision to enter the export market.

This paper provides the first empirical analysis of how affected foreign exporters respond to antidumping investigations. Specifically, we use antidumping cases filed by the U.S. against Chinese exporters over the 2000-2006 period. We find that antidumping investigations cause a substantial decrease in the total export volume at the HS-6 digit product level, and that this trade-dampening effect is due to a significant decrease in the number of exporters, yet a modest decrease in the export volume per surviving exporter. We also find that the bulk of the decrease in the number of exporters is exerted by less productive exporters, by direct exporters as opposed to trade intermediaries, and by single-product direct exporters as opposed to their multi-product counterparts. Combined with the existing studies on the effects that antidumping investigations have on protected firms, our study helps piece together a complete picture of the effects of antidumping investigations.