Economic Impact Of Anti Dumping Law: A Comparative Approach (Between Egypt And India)

Your Name

Instructor

Name of Institution

Date of submission

Abstract

This study attempts to analyze the influence of anti-dumping (AD) acts made by the Egypt and Indian government on the economic behavior of the Egyptians and India. The main hypothesis of this research is whether the AD measures applied by the Egyptian and Indian authorities on imports from some countries have resulted in gains for the domestic market by restricting trade (trade depression), or that such actions have led to the diversion of trade to other countries not subject to these procedures. The econometric methodology employed in this research is the use of the Generalized Method of Moments (GMM) estimator given by Prusa (2001) and Falvey et al. (2006). The results of the study indicated that AD actions take some time (at least two years) to have a detrimental effect on imports from nations targeted by these activities. On the other hand, such steps lead to a movement of some of these goods to nations not subject to these limitations. Hence, the data reveal that there is a large trade diversion effect, especially after two years of enforcing these anti-dumping (AD) measures.

Methodology

We use an updated version of Prusa's (2001) and Falvey et al. (2006) model to evaluate the economic impact of Egypt's anti-dumping policies on respective countries' imports.

$$
\ln x_{i,j,t} = \alpha + \beta_0 \ln x_{i,j,t-1} + \beta_1 \ln \left(\frac{x_{i,j,t-1}}{x_{i,j,t-2}} \right) + \beta_2 \mathrm{Targ}_{i,j,t}
$$
$$
+ \beta_3 \mathrm{NumNamed}_{i,j,t} + \beta_4 \ln \mathrm{Duty}_{i,j,t} + \beta_5 t_n + \beta_6 \left(t_n \mathrm{dec}_{i,j,t} \right) + \beta_7 \mathrm{Tariff}_{i,j,t}
$$
$$
+ \varepsilon_{i,j,t},
$$

where n = 0, 1, 2, 3, and xi,j,t represent exports from nation j in year t are indicated by xi,j,t. Antidumping investigations are defined as a dummy variable called Targ, which takes the value

of 1 while the partner is under investigation and zero otherwise. If a trade partner is the subject

of an antidumping inquiry, this variable will reflect the impact on imports. When an investigation

is launched, imports may already be high due to the dumping exerted by the targeted country;

therefore, it is crucial to keep this in mind. In addition, the inquiry stage typically lasts a year

from the start of the project. Since the investigation began in the following year, the target

variable is created so that it begins taking the value of 1 the following year and continues to do

so through the end of the antidumping procedures against the concerned country. If the

investigation is rejected, the measure will come to a stop when the antidumping duty is

eliminated, and if it is approved, it will terminate when the investigation is over. NumNamed is a

dummy variable that is set to 1 if the investigation covers three or more countries as is the case in

this study and to 0 otherwise. As Prusa (1997) theorized, a greater proportion of imports will be

diverted to non-targeted nations when the number of countries included in the inquiry is large.

Antidumping duty on the product I from country j in year t is represented by the value of duty.

The dummies t_n are arranged as follows: the year of initiation and the corresponding year are

represented by t_0 and t_1 respectively while the first and second years following the

investigation's conclusion are represented by years t_2, t_3, respectively. An interaction variable

between the Dec dummy and Dec time is included, which is a dummy variable that takes the

value of 1 if the investigation is permitted and zero otherwise. We also include the lagged values

of imports since they generally convey the inertia that characterizes imports that are determined

by their previous levels. Finally, tariffs are included since they have a significant impact on

imports.

To separate the pricing effect from the quantity effect of the antidumping policy, we conduct

three sets of regressions with three different dependent variables: the value, quantity, and price of

imports. Antidumping duties, on the other hand, are projected to raise the price of the imported

product, but this is predicted to have a negative impact on imports as a whole.
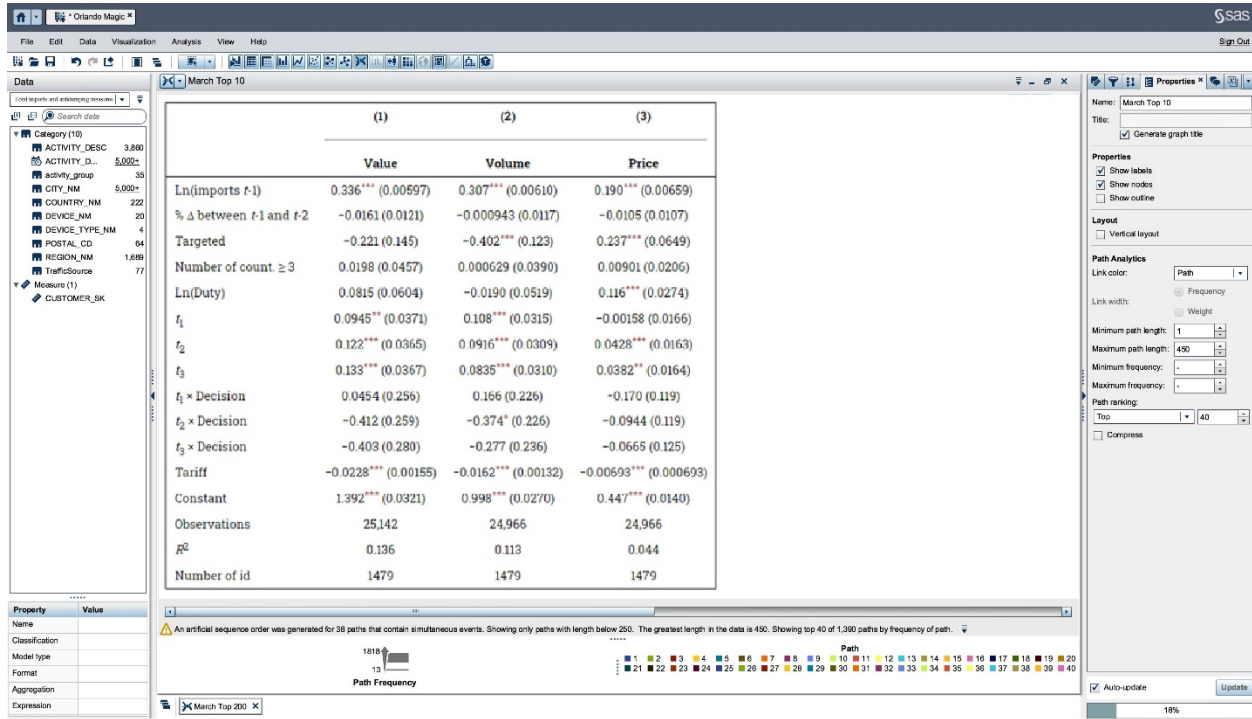
The study sampled 33 goods from Egypt, which covers the period between 2001 and 2015. At

the HS6 level, import data can be gleaned from TradeMap on the website of the International

Trade Centre (ITC). Using the Global Antidumping Database (GAD), created by the World Bank

and the World Trade Organization, we could access investigations that have been started, as well

as the decision that was made and the amount of anti-dumping duty that was imposed. To keep

track of all antidumping investigations launched by all countries, GAD has been created. The

article focused on Egypt's and India's investigations between 2001 and 2015 because of the

availability of data on Indian and Egyptian imports. The WTO's database contains information

on tariffs. The Hausman test recommends that we use a fixed-effects estimating technique for

regressions.

Analysis of the findings

Table 1 indicates the impact of anti-dumping measures on Egypt's imports in terms of value,

volume, and price. A negative coefficient of a target variable suggests that the antidumping

measure has a negative and significant impact on import volume. There has been a 40 percent

drop in imports from the targeted countries to nontargeted countries. Import prices have risen by

24% in the meantime. However, the value of imports' coefficient turns out to be negligible. A

study's sample size has no discernible impact on the dollar amount, volume, or price of imports it

examines. This is in line with Feinberg (2010)'s findings for India, which show that antidumping

duties applied had little impact on import value and volume. The duty effect on pricing, on the

other hand, is significant. The price of imported goods rises by 0.12 percent for every 1% increase in the levy applied.

Table 1: Total imports and antidumping measures

	(1) Value	(2) Volume	(3) Price
Ln(imports t-1)	0.336*** (0.00597)	0.307*** (0.00610)	0.190*** (0.00659)
% Δ between t-1 and t-2	−0.0161 (0.0121)	−0.000943 (0.0117)	−0.0105 (0.0107)
Targeted	−0.221 (0.145)	−0.402* (0.123)	0.237*** (0.0649)
Number of count. ≥ 3	0.0198 (0.0457)	0.000629 (0.0390)	0.00901 (0.0206)
Ln(Duty)	0.0815 (0.0604)	−0.0190 (0.0519)	0.116*** (0.0274)
t_1	0.0945** (0.0371)	0.108*** (0.0315)	−0.00158 (0.0166)
t_2	0.122*** (0.0365)	0.0916*** (0.0309)	0.0428*** (0.0163)
t_3	0.133*** (0.0367)	0.0835*** (0.0310)	0.0382*** (0.0164)
t_1 × Decision	0.0454 (0.256)	0.166 (0.226)	−0.170 (0.119)
t_2 × Decision	−0.412 (0.259)	−0.374* (0.226)	−0.0944 (0.119)
t_3 × Decision	−0.403 (0.280)	−0.277 (0.236)	−0.0665 (0.125)
Tariff	−0.0228*** (0.00155)	−0.0162*** (0.00132)	−0.00693*** (0.000693)
Constant	1.392*** (0.0321)	0.998*** (0.0270)	0.447*** (0.0140)
Observations	25,142	24,966	24,966
R^2	0.136	0.113	0.044
Number of id	1479	1479	1479

Both the value and quantity of imports have a significant positive correlation with the year in which the final decision was made (t_1). As a result, the product's total import value and volume grew by 9.5% and 10.8%, respectively, at the end of the year (the year where the study was done). Imports from nontargeted nations have risen more than the reduction in imports from targeted countries, which could be a contributing factor. Evenett and Vermulst (2005) and Feinberg (2011) have demonstrated this trade diversion effect in India. India was shown to have similar findings by Feinberg (2010), Aggarwal (2010), and Vandenbussche and Zanardi (2010), as was India by Feinberg (2011). Due to rising imports of similar items from non-targeted nations, antidumping regulations do not have the protectionist effect that policymakers hoped they would have.
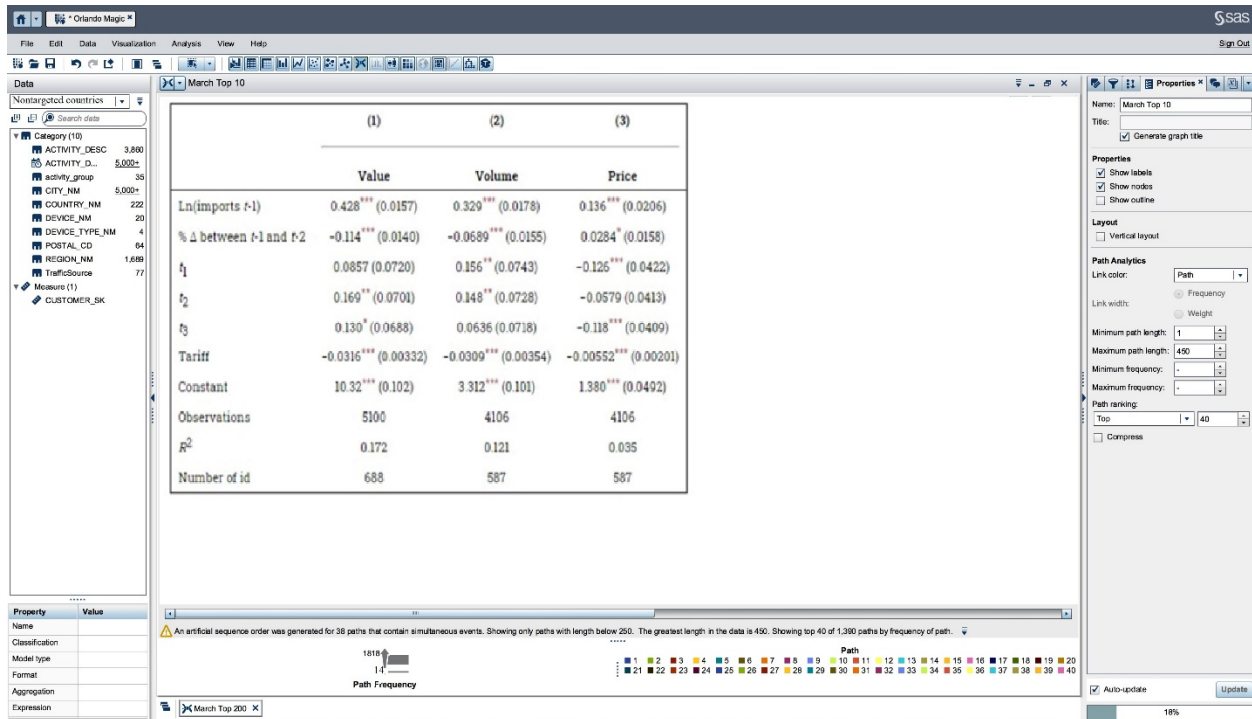
Imports continued to rise in t_2 and t_3 (the two years after the study results) in terms of value, the quantity of imports, and prices. As a result, Egypt appears to be importing the same things from other trading partners, but at a cheaper cost, as the price of goods from the targeted countries has risen. Additional evidence that there is an investigation impact can be found in Egypt by looking at the dummy variable t_1. Even throughout the investigation period between t_0 and t_1, the initiation of the antidumping measure affects the total imports of the products concerned. In other words, once the antidumping measure is launched, imports are instantly affected. Vandenbussche and Zanardi for India have reached a similar conclusion; Feinberg and Aggarwal and Evenett for India; This is further supported by the coefficient of interaction between t and Decision, which demonstrates that imports from the targeted nations reduce dramatically one year after the tariff is implemented (in t_2). This is a drop of 37.4 percent. This proves that the destructive effect is in fact real. According to Vandenbussche and Zanardi (2010), imports decline when the antidumping probe is approved in the cases of India. According to the interaction coefficient Dec t_3, the influence disappears in the following year. The value and quantity of imports are negatively affected by tariffs, highlighting the protectionist nature of these levies.

Antidumping measures have a trade diversion effect; thus, we look at the effects on imports from countries that are not under investigation. Table 2 shows the outcomes of the imports in terms of their value, volume, and price. Comparing t_1 to t_0 (the year of the final decision), imports from non-targeted countries grow by an intriguing 156%. (the year of initiating the study). Comparing t_0 to t_2, and t_2 to t_3, the value of imports from non-targeted nations rises by 16.9% and 13%, respectively. There is therefore a diversion impact of imported goods from targeted to non-targeted nations, as Egypt imports less from the former and a greater amount from the latter to

explain why total imports are projected to increase. Import prices fall dramatically in t_1 and t_3 as a result of lower tariffs. When duties are applied, nontargeted countries tend to have lower relative prices (compared to the country accused of dumping) and this encourages them to sell more to Egypt and get a larger market share.

Table 2: Results for nontargeted countries

	(1) Value	(2) Volume	(3) Price
$\mathrm{Ln(imports}\ t\text{-}1)$	0.428^{***} (0.0157)	0.329^{***} (0.0178)	0.136^{***} (0.0206)
% Δ between t-1 and t-2	-0.114^{***} (0.0140)	-0.0689^{***} (0.0155)	0.0284^{*} (0.0158)
t_1	0.0857 (0.0720)	0.156^{**} (0.0743)	-0.126^{***} (0.0422)
t_2	0.169^{**} (0.0701)	0.148^{**} (0.0728)	-0.0579 (0.0413)
t_3	0.130^{*} (0.0688)	0.0636 (0.0718)	-0.118^{***} (0.0409)
Tariff	-0.0316^{***} (0.00332)	-0.0309^{***} (0.00354)	-0.00552^{***} (0.00201)
Constant	10.32^{***} (0.102)	3.312^{***} (0.101)	1.380^{***} (0.0492)
Observations	5100	4106	4106
R^2	0.172	0.121	0.035
Number of id	688	587	587

As was indicated earlier, there is a general trend toward an increase in imports originating from nations that are not targeted. Nevertheless, it is essential to analyze the development of items that are not the focus of the investigation but originate from countries that are being investigated. According to what is shown in Table 3, the price of products that have been investigated and come from a country that has also been researched is higher than the price of products that have not been investigated and come from countries that have not been studied. However, the quantity of non-investigated products that come from countries that have been investigated tends to decrease significantly. This demonstrates that we have a destruction effect that directly affects

the products that have been investigated and indirectly affect the products that have not been

investigated. In addition, if the decision is ultimately accepted, both the value and the volume of

imports will decline in the second and third years after the change takes place.

*Table 3: **Results for high-tariff products***
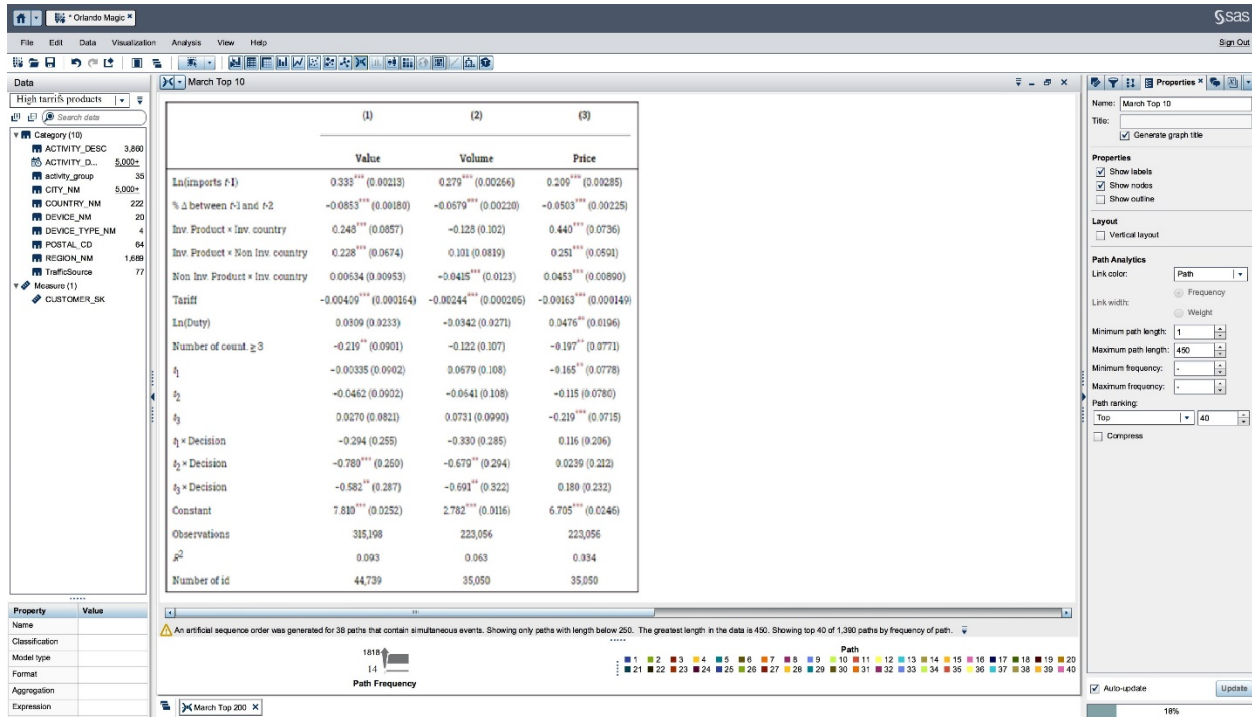
Contrary to regular duties, anti-dumping duties have a very different impact on the cost of goods.

When it comes to normal tasks, this goes against the theoretical assumptions that are at the heart

of economics. Import prices (not including the anti-dumping charge), on the other hand, appear

to tend to rise after the imposition of antidumping duties.

The findings from the empirical study shows that the price of imports (not including tariffs)

should be lowered to guarantee that the ultimate consumer will not have to pay a higher total

price that takes into account all applicable taxes and fees. There could be various reasons for the

price rises of the products that are the subject of anti-dumping levies. One possible reason for

this phenomenon is that exporters have raised their prices to defend themselves against accusations of dumping. There is also the possibility that when anti-dumping duties are in place, only products from higher-end segments of the market are exported.

According to the findings of this research project, the elimination of anti-dumping duties also results in the production of effects that are opposite to those produced by the elimination of normal duties. When anti-dumping taxes are eliminated, there is typically a downward trend in the deflated average price. The reasons behind the fall in prices may be completely different from the ones that were behind the installation of measures.

In conclusion, the findings of our regressions suggested that the antidumping measures have a detrimental effect on the quantity of goods imported from the nations that were the subject of the investigation. The level of the tariff that is imposed has little effect on the total amount of goods that are imported even though it has a major impact on the costs of imported goods. In addition, in the year that follows the decision, the value and quantity of imports fall by a greater amount when the investigation is allowed to continue rather than when it is dismissed, and this trend is more pronounced when the inquiry is allowed to continue. Given the substantial variation in imports at the beginning of the investigation, it was determined that the investigation impact also applied to the Egyptian and Indian cases and was valid. Because of this, the importance of the trade diversion impact has been brought to light by the findings. This is because while imports from targeted nations have decreased, imports from non-targeted countries have increased. Last but not least, the antidumping ruling has an indirect and unfavorable impact on products that are not under investigation but originate from nations that are under investigation.

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