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US ANTIDUMPING POLICIES TOWARDS CHINA:
A SAFEGUARD THAT IS NOT SAFE

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ABSTRACT

The prevailing use of antidumping measures in the U.S. has raised many concerns. Some of them include whether “antidumping practice promote, or at least maintain, a fair and competitive international market,” and whether “the U.S. benefit from using antidumping as a safeguard tool” The first part of this paper examines the drawbacks of U.S. antidumping measures by integrating a series of studies and examples. Studies have shown that antidumping has been practiced in order to benefit import-competing industries, rather than upholding a fair and competitive market. In fact, antidumping has resulted in only minor gains for domestic producers, but huge losses for domestic consumers. The second half of the paper studies U.S. antidumping laws and policies associated with China, U.S.’ number one trade partner. Studies in the past have shown that the U.S. has significantly overused antidumping practice against China, and thus resulted in duties imposed on China to be much higher than those imposed on other countries. China’s ongoing transition into market economy and the important trade relations between the U.S. and China suggest that the U.S. need to reconsider its antidumping practice towards China; such practice offer little benefit to the U.S. This paper concludes that free trade is beneficial and suggests countries to be mindful of building trade barriers, such as antidumping duties.

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Introduction

Since the 1980s, there has been a trend of worldwide resurgence of trade protectionism (Devault, 1996). Particularly, the use of antidumping as a non-tariff trade barrier has tripled during the past 25 years (Pursa, 2001). Finger (1996) argued that the Uruguay Round¹ trade negotiations have signaled antidumping as a tool to safeguard domestic trade benefits, as well as to rule out unfair competition. Thus, antidumping laws become the most prevailing trade barrier used by the World Trade Organization member countries, as tariffs and quotas are reduced or eliminated during the past decade (Gallaway et al., 1999). The proliferation of the use of antidumping measures, however, has raised great concern that “antidumping activity may ultimately reverse many of the free trade gains of the GATT rounds²” (Blonigen, 2000, p.1).

In theory, antidumping allows a country to levy a per unit fee on an imported product in an effort to protect domestic industries from being eliminated by unfair competition. The argument that antidumping laws are used to raise domestic welfare seems reasonable, but there is little empirical evidence to support it (Devault, 1996). Kelly & Morkre (1998) indicated that from 1980 to 1988 the negative impact of dumping appeared minor for domestic industries. In fact, multiple studies (Devault, 1996 and Gallaway et al., 1999) have pointed out that the loss from U.S. antidumping practice is significantly larger than the gain. This is due to how complex the current antidumping policies and investigations are determined and structured (Blonigen & Prusa, 2003). China is one of the most frequent antidumping targets by the U.S. It also has “the largest number of anti-dumping investigations initiated against it of any of the US’ trading partners” (Tanczos, 2008, title page). In the U.S., the unique methodology applied to

¹ The World Trade Organization (WTO) (2011d) remarked the Uruguay Round as the largest trade negotiations ever (WTO, 2011d).

² GATT stands for the General Agreement on Tariffs and Trade. The greatest achievements of GATT rounds were reaching multinational agreements on the reduction of tariffs and import quotas.

antidumping proceedings associated with China is suggested to be unfavorable towards China. In addition, there is evidence to support that the U.S. has discriminated towards China in comparison to all other trading partners.

This paper begins by explaining the basic concepts of dumping and antidumping, followed by a case study that overviews the WTO ruling and the U.S. institutional structure. The criticism of current antidumping policies is then presented. The second half of the paper focuses on the current antidumping policies towards China. This paper reaches a general conclusion that the antidumping practice in the U.S. is likely to lead to an overall welfare loss. The theory of the prisoner's dilemma suggests that countries should collectively lower trade barriers in order to obtain free trade gains.

Background

This section provides background knowledge in understanding the theory of dumping and antidumping, WTO's ruling, and the procedures to handle antidumping cases in the U.S. The concept of dumping can be illustrated through two approaches. One approach is that dumping is a strategic pricing tool that empowers a country's monopoly status. The second approach is that dumping is also a ramification of price discrimination that emerges in the international market. Dumping as a pricing strategy is practiced by a country that sacrifices short-term profits to gain monopoly status in the long run. Consider a small country example³ where the U.S. (home) and China (foreign) are both major manufacturers of stuffed animals. Striving to expand its international market share, China undersells the U.S. in an effort to eliminate competition. Specifically, China exports stuffed animals to the U.S. for only one dollar, a price that is significantly lower than what is being charged in China, which is three dollars. As an aftermath

³ Small country example refers to an example where the home country owns only a small share of the world market of a product, which suggests that home's trade policies are unable to affect world price of the product.

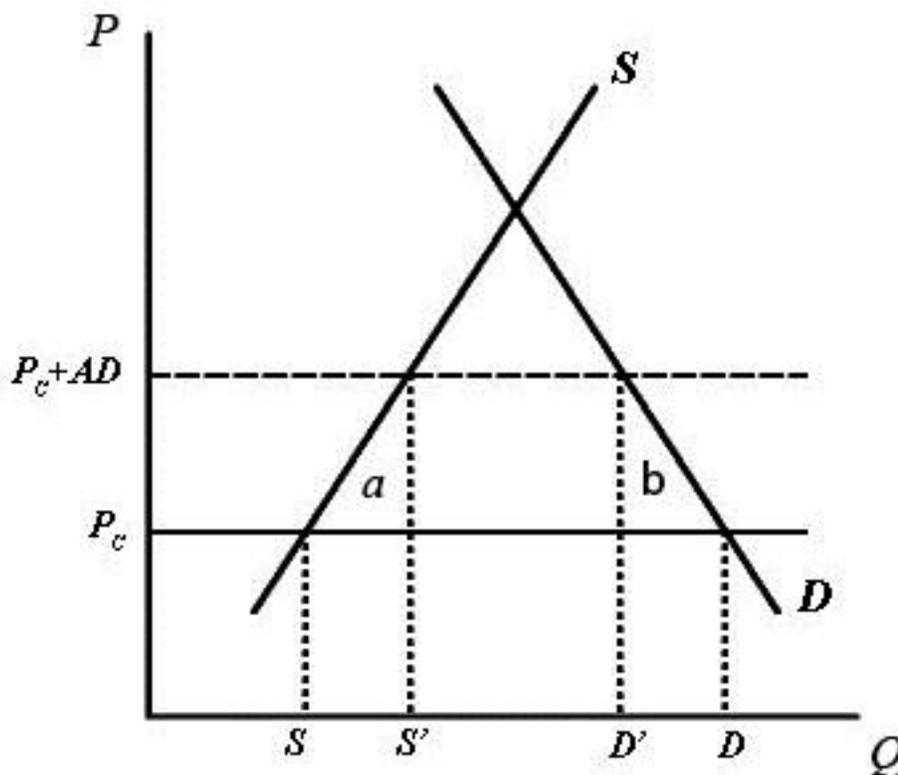
of China's dumping, U.S consumers will likely favor cheap Chinese-made stuffed animals. Three months later, most of the U.S. producers have to shut down their production lines because sales dropped dramatically. China therefore successfully monopolizes the market. After recognizing its solid monopoly status, China decides to raise the price of stuffed animals to five dollars. This example illustrates how the foreign country strategically drives home producers out of the market through dumping. Viewed from the second perspective, dumping is a consequence of international price discrimination. No single product is sold at the same price across the world. In order to maximize profits, prices are adjusted to different demand elasticities⁴ in different countries. Thus, a foreign country may export a product at a lower price at home compared to what is charged in its own country (Gandolfo, 1994).

Figure 1 below presents how the imposition of an antidumping duty against China's stuffed animals protects the U.S. domestic industry at the cost of domestic consumers besides to an amount of deadweight loss. In a free trade scenario, China sells its stuffed animals at P_c (one dollar). The quantity demanded and supplied in the U.S. are, respectively, D and S . As domestic demand exceeds domestic supply, the U.S. imports " $D-S$ " amount of stuffed animals from China. After the U.S. issues an antidumping duty, AD , the price of Chinese-made stuffed animals increases to P_c+AD . The domestic supply therefore rises to S' , while domestic demand declines to D' . Note that $D'-S'$ is smaller than $D-S$, which means that the U.S. shrinks its imports of stuffed animals after imposing the antidumping duty. Domestic producers face a lower level of foreign competition. And, domestic consumers have to pay a higher price after antidumping, which is why quantity demanded decreases. Foreign exporters experience a sales drop due to the duty. At the end, the winner of the game is domestic producers, while the losers are domestic

⁴ This is how sensitive sales are in response to price change.

consumers and foreign competitors. Pertaining to the welfare analysis of this model, deadweight loss is created in the triangle areas of a and b .

Figure 1. Basic antidumping model.



Opinions differ on dumping's legitimacy. The WTO does not judge whether dumping is legal or not, but it allows a home government to react to a foreign competitors' dumping. The GATT (Article VI) and the Anti-Dumping Agreement operate together to provide antidumping guidelines. The Anti-Dumping Agreement states that a country may impose an antidumping duty in case of dumping when domestic industries are *significantly* impacted, a situation that is officially termed "materially injured⁵ or threatened by material injury"(WTO, 2010c). Feinberg

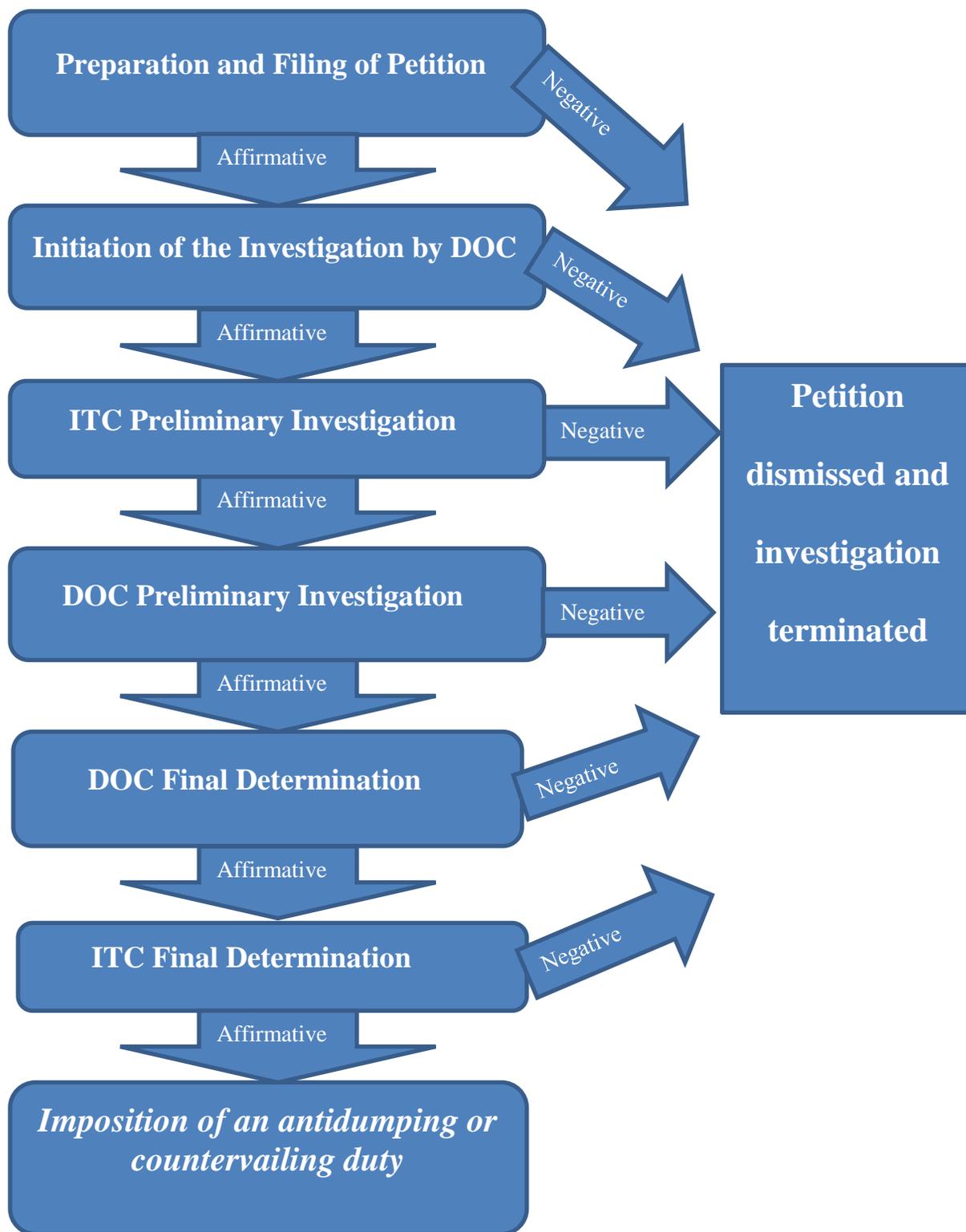
⁵ "Material injury" is defined by the statute as "harm which is not inconsequential, immaterial, or unimportant" (U.S. Code, 2011). Section 771(7)(C) Tariff Act of 1930 states that one of the factors in determining material injury is the volume of imports, either in absolute terms or relative terms (ITC, 2007).

& Reynolds state that “each country establishes its own antidumping enforcement mechanism, and case filings are brought by domestic companies (as well as labor unions and trade associations) to their respective government enforcement agencies” (2004, p.3).

According to the *Antidumping and Countervailing Duty Handbook* published by the U.S. International Trade Commission (ITC), if a U.S. company discovers that a foreign country is exporting products at an unfairly low price, the company has the right to file a petition simultaneously at the ITC and the Department of Commerce (DOC). The company may allege that an industry in the U.S. is being damaged or threatened as a result of the foreign country’s practice of dumping. The overall investigation process is comprised of five stages: “(1) initiation of the investigation by Commerce [DOC], (2) the preliminary phase of the Commission’s [ITC] investigation, (3) the preliminary phase of the Commerce’s investigation, (4) the final phase of Commerce’s investigation, and (5) the final phase of the Commission’s investigation” (ITC, 2011, p. II-3). Each stage ends with a determination made by either the ITC or the DOC. If the determination is affirmative, the investigation proceeds to the next stage; if the determination is negative, the petition is dismissed and the investigation is terminated. If affirmative determinations are made through all five stages, an antidumping or countervailing⁶ duty is to be issued and imposed upon the subject products (ITC, 2011). This administration process is illustrated by Figure 2.

⁶ Simply put, countervailing duties function as a tariff levied on U.S. consumers of imported goods from China. Such duties would counterbalance the negative effect of Chinese government’s subsidization on China’s exporting industries.

Figure 2. Flow chart of U.S. antidumping administration process.



Source: *Antidumping and Countervailing Duty Handbook*, which was published by the International Trade Commission (2011).

The Figure 2. above clearly indicates that the final outcome of an antidumping investigation could be either an affirmative decision (i.e. the imposition of antidumping duties against subjective countries), or the termination of the investigation. Historical data shows that 53 percent of all the U.S. antidumping investigations from 1995 to 2001 resulted measures, which means that 47 percent of them were terminated in the middle of the investigation process (Bown, 2010). The following section illustrates a U.S. antidumping case against Chinese tires that resulted in both antidumping and countervailing duties.

A Case Study of Dumping in the U.S. of Certain Off-the-Road Tires from China

Introduction

In 2008, the U.S. claimed that China was dumping a certain type of off-the-road tires (ORT tires)⁷. Bloomberg (2010) remarked this case as “the largest so-called safeguard petition filed to protect U.S. producers from growing imports from China.” This case study aims at presenting the institutional structure of the antidumping practice in the U.S. along with the thorough investigation process administered jointly by the ITC and the International Trade Administration at the DOC. This case study gives an overview of how an antidumping petition develops into a final imposition of an antidumping duty within the current system. At the end, the effects of the duties on both China and the U.S. are discussed.

Investigation Process

1. Filing of Petition and Initiation of the investigation by DOC

On June 18, 2007, Titan Tire Corporation and its affiliated union, the United Steelworkers, filed a petition alleging that the Chinese imported ORT tires were sold in the U.S. at less than

⁷ The ORT tires are heavily used in construction, agricultural and industrial equipment (ITC, 2007).

fair value (LTFV)⁸, which caused injury to U.S. producers and workers. According to a news article released from the Titan Tire Corporation, “Titan, one of the smallest, yet specialized tire companies, stood up and said, ‘enough is enough.’ Our friends the United Steelworkers agreed to support our petition” (Titan Tire Corporation, 2008). The petition supported the damaging effect, and the fact that the dumping was associated with approximately 100 Chinese producers.

Roughly one month after the petition was filed, a thorough investigation was initiated by the DOC on July 16, 2007 (ITC, 2007).

2. ITC Preliminary Investigation

ITC, in this preliminary phase of investigation, determines whether a U.S. industry is materially injured or threatened by material injury due to the imports from a foreign country. On August 7, 2007, approximately 50 days after the petition was filed, the ITC published a 142-page report on the detailed process of its preliminary investigation. As a result, on August 20, the ITC officially released its affirmative determination that “...there is a reasonable indication that an industry in the United States is materially injured, by reason of imports from China of certain off-the-road tires...” Thus, the investigation proceeded to the next stage (ITC, 2007).

The preliminary investigation was undertaken through the following steps: 1) The ITC’s economists, accountants and other staff members directed questionnaires to gather preliminary data from relevant U.S. producers, such as Michelin, BFNA, and Goodyear, totaling eight companies. 2) Staff members gathered other data relevant for investigation such as the number of U.S. shipments of ORT tires during the past a few years. 3) Staff members analyzed data and

⁸ Less than fair value (LTFV) is defined in section 735 of the Tariff Act of 1930 as “selling product in the United States at a price which is lower than the price for which it is sold in the home market (the ‘normal value’), after adjustments for differences in the merchandise, quantities purchases and circumstances of sale” (ITC, 2008a).

presented their findings and opinions during conferences. 4) Finally, six commissioners voted, resulting in the affirmative determination (ITC, 2007).

According to the report, a series of observations were discovered for justifying that the U.S. ORT industry was materially injured by reason of China's dumping. Some of them included the following:

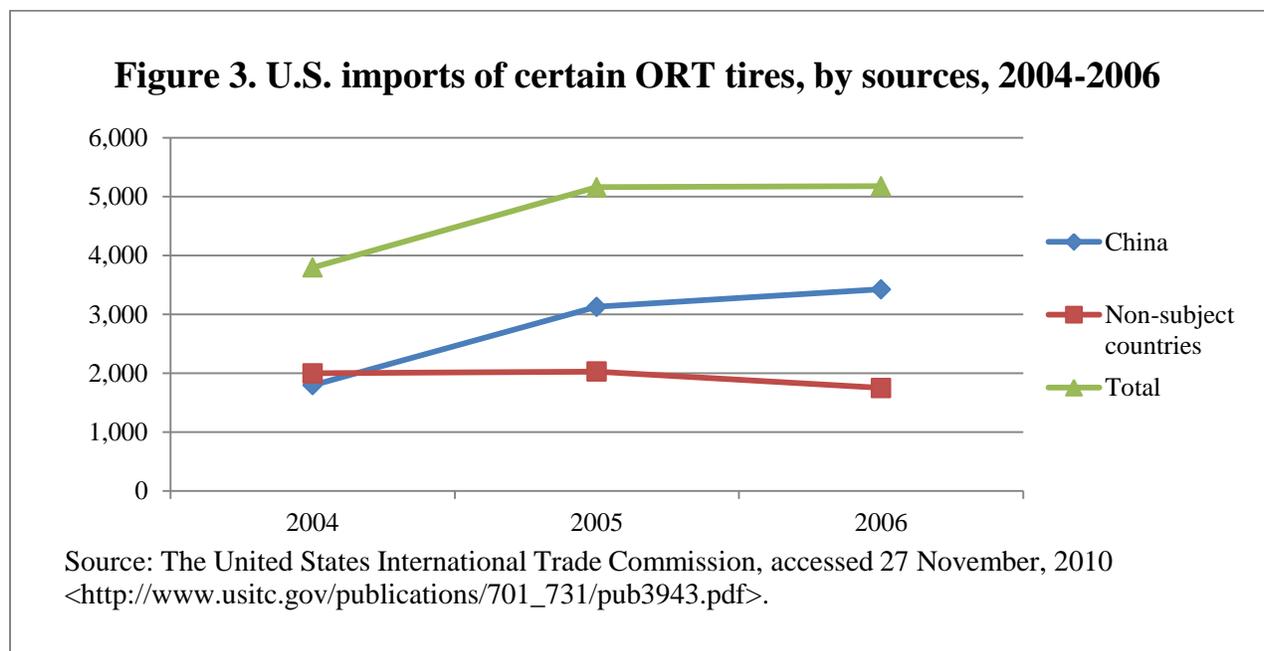
- 1) U.S.' market share (measured by value) declined steadily from 64.7 percent to 51.1 percent, whereas China's market share rose from 8.6 percent to 18.4 percent during the period between 2004 and 2006.
 - 2) U.S. producers' shipments fell by 28.1 percent based on units during the same period.
 - 3) U.S. imports from China increased by 33 percent in volume during the same period.
- (ITC, 2007)

The observations listed above are condensed into two trends: On one hand, U.S. domestic supply of ORT tires shrank dramatically. On the other hand, imports from China surged. China gained the market share of ORT tires at the expense of U.S. producers. Therefore, the U.S. ORT industry was being materially injured. Note that since the report illustrated each abovementioned observation in great detail, only the quantity of U.S. imports, observation (3), will be discussed in the next paragraph for the purpose of this case study.

In the table and graph below, the quantity (by 1000 tires) of U.S. imports of the ORT is measured between 2004 and 2006 and categorized by the sources of importation. The first row of the table presents the quantity of imports from the subject country, China. The non-subject countries in the second row refer to those countries that were not considered as dumping in the U.S. Those countries include Canada, France, India, Japan, Mexico, Sri Lanka, Taiwan, Thailand and other countries. The total sum of imports in the third row reflects a general trend of U.S. imports over the period of 2004-2006.

Country	2004	2005	2006
	Quantity (1000 tires)		
China	1,796	3,129	3,424
Non-subject countries	1,998	2,029	1,751
Total	3,794	5,158	5,175

Source: The United States International Trade Commission, accessed 27 November, 2010 <http://www.usitc.gov/publications/701_731/pub3943.pdf>.



It is clear that the total quantity of imported tires surged from 3.8 million to almost 5.2 million, resulting in a 36.4 percent growth. It is also important to point out that the increase was entirely contributed by China's influx of imports, but not imports from other countries. This is because the non-subject countries experienced an overall slight drop in the quantity of imports of the tires to the U.S. Therefore, the data above sufficiently proved that the U.S. tire industry was materially injured, or at least, threatened by material injury resulted from China's dumping of OTR tires.

3. DOC Preliminary Investigation

After the ITC officially announced the existence of material injury to the U.S. tire industry, the affirmative determination was transmitted to the DOC, followed by the preliminary investigation by the DOC. On February 6, 2008, the DOC announced its preliminary determination that Chinese tires were being sold at LTFV. “Commerce (DOC) preliminarily determined that Chinese producers/exporters have sold new pneumatic off-the-road tires in the U.S. at 10.98 to 210.48 percent less than fair value, with a majority of exporter/producers at 24.75 percent less than fair value” (Titan Tire Corporation, 2008, p.15).

As a result of the preliminary determination, the DOC announced that they “will instruct U.S. Customs and Border Protection to collect a cash deposit or bond based on these preliminary rates” (Titan Tire Corporation, 2008, p.1). With the affirmative determination that Chinese tires were being dumped in the U.S. at LTFV, investigation proceeded (ITC, 2008a).

4. DOC Final Determination

On July 8, 2008, the DOC reached an affirmative final determination. The DOC confirmed that certain Chinese OTR tires were being sold in the U.S. at prices from zero to 210.48 percent LTFV. The DOC also discovered that the Chinese government had been subsidizing the Chinese OTR tires (ITC, 2008b). Assistant Commerce Secretary David Spoonerand claimed that "after a thorough investigation, the Department of Commerce has found that Chinese exporters of off-the-road tires have received government subsidies and sold at below the cost of production in the United States” (Titan Tire Corporation, 2008). As the result of the DOC’s affirmative final determination, countervailing duties ranging from 2.45 to 14.00 percent were imposed (ITC, 2008a).

5. ITC Final Determination

DOC's affirmative final decision brought the investigation to the last stage. In August 2008, the ITC published a 196-page report on its final determination. At the beginning of the report, it was clearly stated that the U.S. OTR industry was materially injured by reason of imports from China. The ITC's findings were similar to those in the preliminary report, yet they provided some new conclusions according to officially adjusted data, supplemental questionnaires, hearings from the petitioners, and other forms of further verifications.

Shortly after the end of the investigation jointly administered by the ITC and the DOC, the DOC set final anti-dumping duties up to 210.48 percent on OTR tires. In addition, the final duties were found to be lower than the preliminary levels in many cases. "Xuzhou Xugong Tyre Co., whose preliminary duty of 51.81% was knocked down to zero, saw the biggest change. More than 40 other Chinese tire makers and exporters received a final anti-dumping duty of 9.48%, down from a preliminary rate of 24.75%" (Kwok, 2008).

Effects on China

Overall, China's tire exports to the U.S. continued to rise regardless of the U.S. ruling. China also proactively protested the U.S. ruling and retaliated by initiating antidumping investigations against U.S. automotive and chicken products. China's tire sales rose after the antidumping duties were put into effect. According to Bloomberg (2010), "Chinese tire exports to the U.S. tripled from 2001 to 2004 to 41 million." China protested the ruling and alleged that the U.S. discriminated against Chinese products (Kwok, 2008). China claimed that both countervailing and antidumping duties were put into effect at the same time, and thus had the potential for "double counting" (Xinhua, 2010). China filed a complaint with the U.S. Court of International Trade claiming that the U.S. counteracted China's dumping twice. China's officials stated that double counting is unlawful because it violates the WTO Agreement on Subsidies and Countervailing Measures (International Trade Reporter, 2010). In response to China's accusation,

the U.S. Court of International Trade (2010) announced on August 4, 2010 that countervailing duty on Chinese manufactured tires needed to be halted, because the methodologies used to calculate duties do indeed have the potential for double counting (Mayer Brown, 2010).

In addition to the court case, China brought the same case to the Geneva-based WTO and protested after President Obama announced the three-year antidumping duties on \$1.8 billion of tires in September 2009 (Bloomberg, 2010). China lodged a complaint at the WTO about the U.S.' overprotection on its tire industry. This complaint was, however, turned down by the WTO. China also retaliated by launching an antidumping and antisubsidies investigation on automotive and chicken imports from the U.S. (*China Daily Times*, 2009).

Effects on the U.S.

The president of the Pittsburgh-based United Steelworkers, Leo Gerard, stated that U.S. domestic tire production has increased since the antidumping duties were put into effect. He also pointed out that the antidumping action created new jobs for American tire workers, and U.S. producers had made new capital investments. Gerard concluded that the ORT tires antidumping duties have “reversed a massive decline in domestic production and provided much-needed relief to workers, their employers and communities from a flood of Chinese tires” (Bloomberg, 2010).

However, others claimed that there were virtually no gains for the U.S. tire industry. According to Miles Moore (2011), a senior reporter for tirebusiness.com, there was virtually no “positive effects” on the U.S. side. Some major ORT tire companies did not benefit from the duty decision as they experienced bankruptcy or merging. For example, the sales for Titan Corporation, the initial petitioner, dropped from 1.04 billion dollars in 2008 to 727.6 million dollars in 2009. Marin Industrial Tire CEO Bryan Ganz even stated that “I don’t see any positive effect from this [imposition of antidumping duties on China]. It was foolish to think that we

could put duties on the tires from one country, and all that production would come back to the U.S.” (Moore, 2011).

The real effect of the duties on the American tire industry appears unclear, since those two contradictory views (Gerard’s view about the positive effect of the duties together with Moore and Ganz’ view about the negative effect of the duties) were published in different years.

Conclusion

China’s dumping of certain ORT tires in the U.S. became detrimental to the profits of the U.S. producers and consequently led to the ITC and the DOC’s investigation that lasted over a year. Affirmative determinations were made at the end of each stage of the investigation and antidumping and countervailing duties were finally imposed on China’s imported ORT tires. Some claimed that the U.S. ruling did safeguard U.S. tire producers by creating new jobs and stimulating new investments. Other claimed there was no gain for the U.S. tire industry. It is therefore unclear whether the U.S. has benefited from imposing antidumping and countervailing duties towards Chinese tires. It is, however, clear that the U.S. ruling provoked protesting and retaliation from China.

Please note that the purpose of this study is not to argue or blame the country that initiated this trade war⁹. Looking at how antidumping practices changed countries trade behaviors overtime, it is fair to argue that antidumping practices, especially those involving China¹⁰, drive both countries to become more strategic in defending their own trade benefits in the middle of a turmoil. However, concerns were raised about the deadweight loss (including all

⁹ It is difficult to make a justification anyways, because this is like arguing which came first, the chicken or the egg.

¹⁰ The complications of antidumping cases associated with China will be discussed in the second half of the paper in detail.

the administrative effort spent on handling all the claims and protesting), U.S. consumers (who ended up paying higher prices), and the U.S.-China trade relations (which is already worrisome).

Criticism on the Current Antidumping Policies

Integrating many studies from the past, it is fair to argue that the current U.S. antidumping system contains too many loopholes and ambiguities to uphold fair market competition. A number of problems of the current system are discussed in this section. First, antidumping does not save U.S. jobs in import-competing sectors. Second, the losses imposed on U.S. consumers are huge compared to the gains to producers. Third, moral hazard problems are created on the side of domestic producers. Fourth, the administrative process of handling antidumping cases involves too much discretion. Fifth, antidumping induces retaliation and collusion.

Antidumping does neither safeguard U.S. employment, nor promote optimal resource allocation. From protectionists' view, one of the most appealing functions of antidumping is to safeguard U.S. domestic employment. Gallaway et al. (1999) estimated the net welfare loss from practicing antidumping in the U.S. was 4 billion dollars in 1993. The study also found out that the net welfare loss in the U.S. far outweighed the employment gain observed in the importing industries for that particular year. The calculation is simple. The antidumping practice in 1993 saved approximately 14,250 jobs in the U.S. at a cost of an annual welfare loss ranging from 2-4 billion dollars. This means that each job saved should value from 161,000 to 281,000 dollars. Blonigen and Prusa, however, state that those sectors generally pay below that range of wage, even far below average wages (2003). Thus, Gallaway et al.'s argument supports the view that that antidumping is not a cost-effective tool in terms of safeguarding U.S. employment. In addition, Blonigen & Prusa also allude that antidumping restricts effective resource allocation,

particularly in human capital (2003). The more jobs saved in those sectors, the less likely it is for the workers in those sectors to relocate to more competitive industries.

Another two studies by Anderson (1993) and Devault (1996) concluded that antidumping is costly as it creates a huge burden on American consumers. Anderson (1993) studied eight antidumping cases involving imports valued at about 325 million dollars. He found out that roughly every dollar gained by domestic producers cost consumers 3.60 dollars. Devault (1996) advanced Anderson's study and found similar results. Devault expanded the sample size to 30 cases, which targeted 1.4 billion dollars in imports from 1987 to 1992. Consumers' annual cost was as high as 500-800 million dollars, but the producers only gained 90-375 million dollars. The welfare analyses from these two studies both point out that antidumping is too costly to operate, because producers' small gain comes from consumers' big loss.

Antidumping creates moral hazard problems for domestic producers, namely, the behavior of domestic producers alters after receiving trade protection. Miyagiwa and Ohno (1995) found out that domestic producers with protection are more likely to delay the adoption of new technology compared to a free trade situation. They become indolent in innovation given that the government issues antidumping duties to their foreign competitors. Miyagiwa and Ohno (1995) also argued that such delayed adoption negatively impacted domestic welfare. This is a typical moral hazard problem arising from trade protectionism. Antidumping creates another moral hazard concern that domestic producers would actively seek antidumping protection even though dumping does not exist. For example, when a domestic producer encounters a massive sales drop due to a decrease in demand (for instance, due to a fashion trend), the producer could bribe authorities to increase the chance of receiving affirmative antidumping decisions. This is a plausible argument because evidence indicates that "contribution to influential congressmen lead

to a greater likelihood of an affirmative AD [antidumping] decision for a domestic industry” (Blonigen and Prusa, 2003, p.11). In this case, antidumping only protects firms’ interests, but not competition. The original purpose of antidumping, which is promoting a fair international market, has been twisted by users.

From a petitioner’s perspective, it is difficult to judge whether dumping behaviors intend to harm competition. If a country dumps without intentionally driving its rivals out of business, then antidumping measures are illegitimate to put forward. The current system gauges such intention by using the concept of fair pricing and material injury. These two standards seem somewhat rigid. For example, what if a firm is dumping merely due to price discrimination? It is mentioned in the background section that antidumping is a ramification of price discrimination. Blonigen and Prusa state that “If countries do not worry about price discrimination by firms for different consumers in the domestic economy, why should we worry about it across national borders?” (2003, p.4) This statement is translated to imply that the mere existence of dumping practice is not enough to judge whether the behavior is illegal or unfair. This rationale also applies to domestic industries’ injury conditions. Again, as mentioned in the background section, domestic industries’ injury conditions have to be *significant* in order to be considered material injury by dumping. However, the level of damage is difficult to measure. Therefore, it is arguable that the current system does leave authorities with plenty of leeway for making decisions.

The current antidumping system gives rise to some levels of administrative discretion not only in determining its intention and material injury, but also in other major aspects, such as calculating normal values. According to the WTO, the normal value is “the price of the product at issue, in the ordinary course of trade” (WTO, 2011b). It is crucial for calculating antidumping

margins. In 2004, Horlick and Vermulst initiated a project to collect problems with antidumping practice from trade experts of different countries. The U.S. has flagged the problem that the calculations of the normal values “tend to be too artificial and discretionary” (p.70), because some of the essential information for calculation is simply unobservable. In the cases where the U.S. uses the constructed normal value to calculate antidumping margins, the calculation also involves discretion. Constructed normal value is determined based on “cost of production, selling, general and administrative expenses, and profits” (WTO, 2001b). Some of these factors, such as marginal cost, are, however, tough to find (Blonigen and Prusa, 2003). Horlick and Vermulst (2004) suggest that the calculation of the constructed normal values should be tightened further. More complications emerge if dealing with non-market economy (NME) producers, such as China, which will be discussed in detail later.

Antidumping induces retaliatory trade actions and even facilitates collusive activities. Antidumping triggers trade retaliation through the imposition of a tariff or an antidumping duty. In trade, the idea of retaliation arises when country A initiates a trade barrier for another country B. This trade barrier instantly makes it difficult for B’s goods to enter A’s market, since the price of B increases due to the barrier. This action tempts B to also create a trade barrier to A. In theory, A and B keep building up higher and higher trade barriers against each other, which forms a trade war. Feinberg and Reynolds (2006) found out that “a significant share of antidumping filings worldwide can be interpreted as retaliation” (p. 17). Finger (1993) pointed out the real motivation for a country to retaliate in response to antidumping is not protecting its domestic industries from being damaged by unfair imports; instead, it raises the costs to other countries of using the antidumping laws. Prusa (2001) reasoned such retaliatory behavior by using the “prisoner’s dilemma.” Prusa (2001) stated, “Each country cannot resist the temptation

to protect important import-competing industries. Yet if all countries also use AD [antidumping] law, each country is worse off than they would be under free trade” (p. 5). Simply put, Finger argued that a country retaliates to antidumping because everyone else is doing that. And, the country will be worse off if it chooses to do nothing. Antidumping is hence a tit-for-tat action that tangles countries in a trade war. The only way to stop the war is to make every country halt its antidumping practice at the same time (Prusa, 2001).

Trade retaliation is mostly observed in the form of a tariff, which is usually termed “retaliatory tariff” (Bronckers & Broek, 2004). The famous U.S. steel tariff in 2002 perfectly illustrates that the initial movement of a country’s tariff imposition could engage a group of countries into a tariff war. In March 2002, steel tariffs ranging from 8 to 30 percent were put into effect by the Bush administration. According to Feenstra and Taylor (2008), Bush’s motivation was to gain support from the U.S. steel industry prior to his re-election. However, the imposition of the tariffs was officially interpreted as a “cushion” to help the U.S. domestic steel industry recover from previous injury conditions. Countries that were heavily damaged by the tariffs, such as European countries, Japan and Korea, brought this case to the WTO hoping for a way to settle this dispute. The WTO’s investigation indicated that the U.S. was not qualified for its so-called injury conditions. As a result, the WTO’s ruling allowed these countries to enforce retaliatory tariffs on U.S. goods, such as Florida oranges. Facing the threats of retaliation, President Bush removed the tariffs on December 5, 2003. The tariffs were held for 19 months, as opposed to three years as originally planned (Feenstra and Taylor, 2008). The elimination of the U.S. steel tariff by President Bush was probably a wise action to avoid further countermeasures taken by other countries. Reducing trade barriers in this case circumvented the effects of

“shooting oneself in one’s foot,” and prevented retaliation among countries from spiraling out of control.

Antidumping also leads to the breakout of antidumping war. An apparent example of an antidumping war is also associated with U.S. steel products. In the fall of 1992 and 1993, Canada filed a series of antidumping cases against U.S. steel products. The U.S. responded by initiating antidumping investigations against Canada in June 1992, and consequently levied antidumping duties on Canadian steel products (Blonigen, 2000). In this example, the assignment of the antidumping duties against Canada functions just like a retaliatory tariff mandated by the U.S. However, this was clearly not the optimal solution. This is because creating trade barriers can make the dispute more complicated.

The key issue here is that retaliatory antidumping practice does not make the trade fair or even, but inevitably generates social costs, involves innocent industries, and tightens the tension among countries. The soup can get murkier when retaliation further develops to become a trade war. Antidumping duty causes a deadweight loss because domestic consumers could have paid less if there were no trade barriers (Feenstra and Taylor, 2008). The administrative cost during antidumping investigations is a big financial burden for countries involved. In addition, if retaliation occurs, innocent companies and industries that are not subject to the original tariffs or antidumping duties would be negatively affected. Bronckers & Broek state, “Innocent businesses are cut off from entire markets because of disputes in which they are not involved” (2004, p.15). Take the case study of the dumping of the ORT tires from China as an example to illustrate Bronckers and Broek’s argument. U.S. automotive and chicken industries were the innocent businesses that were jeopardized by China’s retaliation caused by U.S. antidumping duties on Chinese tires.

Devault (1996) states that the number of antidumping duties levied by the U.S. increased by 200 percent (from 100 to 300) during the ten years from 1983 to 1993. Looking at the increased usage of antidumping tools in the past, some blame the WTO, whose rulings are not powerful enough to reduce the violation of trade agreements among nations (Blonigen & Prusa, 2003). The article entitled “Trade Retaliation is a Poor Way to Get Even” argues for a better regime than the current WTO dispute settlement system, to clearly identify the “fairness” in trade (Bronckers & Broek, 2004). However, the bottom line is that retaliatory tariffs and antidumping duties are not the best tools to resolve trade disputes.

Antidumping is sometimes used to enforce illegitimate practice, such as collusion. Collusion is a secret agreement made between two or more countries about raising prices simultaneously. Antitrust laws are deemed to regulate and control collusive behavior, since such behavior intentionally breaks the natural balance of demand and supply. When collusion takes place in international trade, antidumping duties are used as a threat. For example, U.S. wheat exporters attempt to raise the price of wheat in the U.S. They know that if they raise the price of wheat, consumers will then favor Chinese imported wheat, simply because it is relatively cheaper compared to U.S. wheat. In this respect, U.S. wheat farmers collude with China’s major wheat producers to raise the price simultaneously. U.S. producers secretly propose to Chinese wheat exporters that, “let’s raise the price of wheat together so that all of us will gain more profits. What a good deal!” However, the Chinese producers are likely to reject this proposal, because it is a violation of antitrust laws. In this situation, U.S. producers could threaten the Chinese producers, “if you do not agree on the price increase, I will file an antidumping petition on your wheat coming to the U.S.” Being afraid of the U.S. imposing an antidumping duty

against Chinese wheat exports, the Chinese wheat companies are likely to compromise. In this example, antidumping is used as a tool to enforce collusion, even though it is “a little dirty.”

Some early studies have provided evidence that antidumping facilitates collusive behaviors. For example, Staiger and Wolak (1989) concluded that “the filing of an antidumping suit can become a useful mechanism with which to enforce price collusion during periods when collusion is otherwise difficult to sustain” (p.39). Prusa (1991) found out a surprisingly large number of antidumping cases, around one third out of all the petitions filed, were withdrawn or voluntarily terminated during the 1980s. According to Prusa (1991), the U.S. Trade Representative (USTR) represents the U.S. domestic industries to negotiate with foreign government or industries, in order not to involve the domestic party into the direct collusive behaviors in the settlement process. This is a typical example for the loophole in the U.S. antidumping policies, which provides a breeding ground for international collusion. Prusa (1991) also found that the foreign party sometimes voluntarily increases their prices without negotiating with the USTR, followed by the U.S. party withdrawing the antidumping petition. Such behavior suggests that the collusion has evolved to be tacit rather than direct.

The first half of the paper analyzes the overall welfare losses due to U.S. antidumping practice. It has brought minor benefits to the domestic industries compared to a set of problems generated by the practice itself. Furthermore, the U.S. antidumping laws and policies involve too much discretion in the investigation and administrative process to generate fair antidumping duties. With the current overuse of antidumping, retaliatory and antitrust actions are likely to further create trade barriers among nations. The second half of the paper discusses two issues: first, the U.S. has applied inappropriate methodology to calculate antidumping margins of China, which has resulted in a higher level of duties imposed on China than on other countries. Second,

there is evidence supporting the view that the U.S. is discriminating against China pertaining to antidumping matters.

China's Non-market Economy Designation and its Critics

According to Article VI of GATT 1994, WTO members should treat non-market economy (NME) countries differently than market economy (ME) countries in antidumping cases (WTO, 2011c). Specifically, member countries should calculate antidumping margins using the price information provided by surrogate countries in place of the information collected in the NME countries, which is considered unreliable. Unlike other countries, such as those in the European Community, India, and Korea, which have conditionally applied the ME method to compute antidumping rates, the U.S. has strictly classified China as a NME country for more than 20 years (Stoler, 2003).

The designation is considered a disadvantage for China and accordingly, an advantage for the U.S. in trade. This is because the application of the NME methodology generally leads to higher antidumping duties imposed on Chinese exporters and thus enhances U.S. exporters' competitiveness in trade. Thus, such designation is not likely to be changed by the DOC for the purposes of antidumping and countervailing investigations until 2016, when it officially expires according to China's WTO accession agreement.

NME Designation and NME methodology

U.S.C. § 1677(18) defines a non-market economy (NME) as an economy that "does not operate on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise" (U.S. Code, 2011). When dealing with antidumping cases against NME countries, the U.S. considers that their prices and costs of goods do not reflect true normal values due to state controls and ownership. Thus, the price information

from subject countries is usually disregarded in antidumping proceedings. In this respect, the U.S. applies a special way to calculate antidumping duties to those countries called the NME methodology. To describe this methodology in simple words, the DOC collects the price information from surrogate countries, called surrogate values, to generate antidumping rates. Surrogate countries have to fulfill the following criteria: operating market economy, possessing economical comparability to the NME countries, and producing a great amount of similar products.

The U.S. Government Accountability Office (GAO), known as “the investigative arm of Congress,” highlights two fundamental differences in treatment between the NME and ME countries. First, to obtain the price of products from ME countries, the DOC completely relies on information from the exporting country itself, while in the NME case, price information from surrogate countries is used. Second, antidumping rates are determined and applied case-by-case to each individual company in ME countries. However, the DOC requires NME countries to meet certain criteria in order to be eligible for individual rates; otherwise a country-wide antidumping rate will be applied (GAO, 2006, p.8).

What Causes Higher Antidumping Rates?

In the background section, it was mentioned that the U.S. insists on keeping China’s NME designation so as to maximize antidumping margins. Indeed, “this (NME) methodology is commonly believed to result in duty rates that are significantly higher than those applied to market economy countries,” pointed out by GAO (2006, p.2). Antidumping rates applied to companies from ME countries are calculated case by case. However, a company from NME countries, such as a Chinese company, must meet certain criteria in order to be eligible for this kind of individual rates. If the company fails to pass a so-called separate-rate test, a country-wide

duty rate will be applied, which is usually higher than the individual rate. Thus, the NME methodology entails a unique way of determining antidumping rates and it also leads duty rates to be considerably higher than those applied to ME countries (GAO, 2006).

Public Comments on the Selection of Surrogates

Identifying appropriate surrogates is the very first yet most critical step in the antidumping proceedings (GAO, 2006). The statute 19 U.S.C. § 1677b(c)(4) indicates that the surrogate countries should be significant producers of comparable merchandise and also be economically comparable to the NME countries. However, the statute does not clearly define economic comparability (Federal Register, 2007). The federal regulations state that the “primary emphasis” will be put on per capita Gross National Income (GNI) as an indicator of economic comparability (Federal Registrar, 2007). In 2007, the DOC requested public comments on the issue of selecting surrogate countries. Various opinions appeared among comments and most of them came from well-known law offices that represent U.S. domestic producers and also the Ministry of Commerce of the PRC (MOFCOM). Some of the comments are highly convincing in the case involving China.

The law offices of King and Spalding, Stewart and Stewart, as well as MOFCOM all believed that the DOC places excessive emphasis on the ranking of GNI per capita, which curbs its ultimate goal of producing normal values as accurately as possible. “The determination of economic comparability should be made in the context of the spectrum of economic development across the world and with regard to other aspects of economic comparability beyond the per capita GNI,” stated King and Spalding (2007). In other words, the law firm of King and Spalding suggests the DOC considering other socio-economic factors when selecting potential surrogate countries, rather than emphasizing per capita GNI. Other demographic and

economic factors of the subject NME country should be taken into account, such as country size, population, economy scale, patterns of trade, etc. This argument appears relevant in light of a severe imbalance in levels of economic development between the east and west regions of China (Stewart and Stewart, 2007). Eastern China faces the coastline and includes the most industrialized cities and districts in the country, such as Beijing, Shanghai, Shenzhen and Hong Kong, while the economic development of the west is largely constrained by its desert geographic condition. Consequently, the living costs and factories' operating costs in the east are significantly higher than those in the west. In this respect, per capita GNI only represents an average wage for regions that vary to a great extent. In this case, per capita GNI does not provide the best approximation of costs and prices for individual Chinese companies.

The law firm of Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates (Skadden Arps) strongly supports the DOC to continue using per capita GNI as a primary indicator because the data of per capita GNI is highly reliable and inexpensive to access (Skadden Arps, 2007). This is a valid statement concerning data quality and financial issues, but it does not seem to be applicable to China considering many complications associated with the country as pointed out in the above paragraph. However, Skadden Arps also stresses the necessity for case-by-case analysis when dealing with complex situations (Skadden Arps, 2007). Regarding China, the DOC should take account of each individual company's regional economic conditions and carefully apply a case-by-case analysis.

On the topic of the number of potential surrogate countries to be collected at the beginning of an investigation, Stewart and Stewart and King and Spalding both suggested that the initial list should be extensive rather than limited, while the MOFCOM further recommended the DOC to disclose the initial list to the public and request comments. According to King and

Spalding (2007), under the DOC's current practice, the initial list includes around five potential surrogate countries and only one of them will be used for the actual calculation of the antidumping margins. For example, in a notice of a preliminary DOC investigation associated with certain steel nails from China, the DOC originally found that India, Philippines, Indonesia, Colombia, Thailand, and Peru are economically comparable to China. India was finally selected due to data availability issues (Federal Register, 2010). In addition, the MOFCOM advocated the disclosure of the initial list of countries to obtain valuable comments from specialists in the subject field of products. If, in China's case, more potential surrogate countries are allowed in the initial list, it is more likely to ensure a sufficient pool of countries to yield an appropriate surrogate.

Critics of China's Prolonged NME Designation

Many complications associated with China, such as its wage variation from the west to the east, demand a great amount of effort to manage antidumping cases involved with this country that is still considered by the U.S. as a NME country. Indeed, more and more voices are being heard condemning the prolonged NME designation of China after witnessing its market-oriented reforms initiated in 1978 and WTO accession in 2001. In keeping with such designation, the DOC generates imprecise prediction on price information, exerts subjective power in the administration process, and also creates financial burdens for all the parties involved in the antidumping proceedings.

First, criticism on NME methodology mainly lies on its inaccuracy in terms of generating normal values of products for China. Andrew Stoler (2003), the executive director of the University of Adelaide-based Institute for International Trade, addresses the additional difficulties for the U.S. to compute antidumping margins for NME countries like China:

Under normal “market” circumstances, antidumping cases are already extremely complex and there are many opportunities for investigating authorities to miscalculate correct normal values. Countries with a market economy have a clearly defined route to challenge such miscalculations through the WTO dispute settlement understanding (DSU). Non-market economies are at a real disadvantage because there is clearly considerable scope under the loose rules for manipulation of data on prices and costs in ways that would increase dumping margins and be difficult to challenge successfully under the DSU (p. 2).

Policy scholar Daniel Ikenson (2005), who specializes in U.S.-China trade issues, points out that either too broad or too specific product descriptions could cause inaccurate price computation. For example, the DOC plans to calculate the price of tires from China through an investigation of comparable products made in India. As we all know synthetic rubber is a raw material in manufacturing tires and there are many different types of synthetic rubber. If either or both countries do not specify the type of synthetic rubber they used on the product description, it is very easy for the DOC to mistakenly match the wrong type of rubber used in Indian into calculating the production cost of Chinese-made tires. Such a slight error could show a price to be largely deviated from its true value and as a result, produce unfair antidumping rates to be imposed on Chinese tire companies.

Second, the DOC makes subjective selections of surrogate countries and surrogate values. Ikenson (2005, p.5) mentions that “the department (DOC) has considerable leeway in deciding which surrogate country to use.” A series of subjective decisions is made by the DOC. First of all, suppose the DOC follows the per-capita-GNI guideline closely. It subjectively decides the range of per capita GNI to enmesh potential surrogate countries. The current practice is that the DOC only considers countries with a lower GNI per capita compared to those of the NME countries. Why does the DOC exclude the countries that have higher GNI? If not placing full emphasis on GNI, how does the DOC value what are the other socioeconomic factors to take into consideration? How to select surrogate values, if the data collected from China and India present

different product descriptions, time range or valuation methods? The DOC ultimately determines what countries to choose and what data to use (Ikenson, 2005).

Third, the NME methodology carries costly administrative procedures. Ikenson (2005, p.5) states that, “This methodology carries the unavoidable consequences of being administratively burdensome and hugely expensive to respondents, petitioners, and the U.S. government.” Considering the investigation process from selecting surrogate countries, collecting surrogate values to finally compiling all the data, it is fair to say that the application of NME methodology to China is expensive for the U.S. Surrogate countries need to cooperate in data collection and other investigative and administrative procedures. From China’s perspective, the separate-rate test definitely imposes financial burdens on Chinese exporters when they try to meet the criteria for being eligible for individual rates.

China’s Request for ME Status

Even though the Chinese government has requested to be granted ME status, especially in the U.S. where China is strictly defined as a NME country in any industry, it is not likely to be achieved considering the country’s prevailing “state-control” issues, such as its inflexible exchange rate and weak intellectual property right protection. Larribe et al. (2009) list some progress the country has made to indicate its movement toward being a market economy, including the fact that state-owned enterprises reduced from 66 percent to only 25 percent of the industrial production from 1987 to 2003. However, the European Union recognizes that China must make great improvements in four sectors in order to be considered as a ME country: the overall financial system (especially the banking sector), property rights, bankruptcy laws, and state intervention in the economy (Larribe et al., 2009).

Methodology Transition in 2016

China's short-term concern on its prolonged NME status will end in 2016, when the DOC's authority of applying NME methodology on China officially expires, according to China's WTO accession agreement (WTO, 2001). The GAO lists two major changes that will take place after 2016: First, no surrogate countries will be used to measure the price information of Chinese products, and thus antidumping rates will be assigned entirely based on the normal values from China. Second, country-wide duty will no longer habitually apply to China. The overall effect of this methodology transition on China cannot be determined (GAO, 2006).

However, China's long-term concern that the U.S. is overusing antidumping tools toward China seems to remain. Pierce and Nicely (2009, p.9) state that "China's market economy treatment under the U.S. antidumping law in 2016 does not necessarily spell a lessening of U.S. trade measures." The U.S.'s overall antidumping power is probably not going to be reduced. There are various ways of retaining the strength of U.S. antidumping policies, according to Pierce and Nicely. Other antidumping tools, such as countervailing duties, Section 421 safeguards, and Section 337 IP protections could be exercised even to a larger degree to offset the trade benefits gained by China in transition to ME. In addition, the normal values of costs and prices collected in China could still be regarded as "unreliable" in situations where significant state intervention is observed or the market economy reform is not yet considered as completed in certain industries. Russia encountered the latter situation in 2005, after it was granted ME status in 2002 by the DOC. In the antidumping case associated with Russian magnesium metal, the DOC adjusted actual electricity costs incurred by the Russian company because the DOC found the industry was still in the early stages of market economy reform (Pierce & Nicely, 2009).

Conclusion

During the past 25 years, the major criticisms of the NME designation and methodology are that it induces the DOC to make subjective decisions, it provides imprecise prediction on normal values of prices of Chinese products, and it leads to high cost for all parties involved in the antidumping cases. However, those flaws of the current U.S.-to-China antidumping system will not persist due to the expiration of the designation and methodology in 2016. Scholars and institutions attempt to predict how this rapid overnight transition of designation will impact U.S. antidumping policies. A consensus seems to be that the overall antidumping rates imposed on China's exporters are likely to be lowered, but the U.S. will continue to safeguard its exporting industries by using other tools, such as countervailing duties.

Discrimination towards China's imports

The U.S. has executed significantly harsher antidumping measures on China relative to other trade partners, such as Japan, Korea, Taiwan and the European countries. Thus, Chad Bown (2010) concluded that the U.S. discriminates against China regarding antidumping application in comparison to other trade partners. By comparing data before and after China's WTO accession, an elevating trend of U.S. overall antidumping application to China was also found (Bown, 2010).

Prior to its WTO accession, China was found to be the most "favored" target for antidumping and the recipient for the harshest antidumping measures in the U.S. Bown states that "in practice, antidumping in the United States has results in discriminatory treatment of imports from China relative to other source countries during the 1995 to 2001 period" (2010, p.298). Three discriminatory factors were used to verify this statement. First, investigations against China are more likely to result in implementation of antidumping duties in comparison to other exporters. On average, half of the investigations in the U.S. results in enforced duties on

countries that are found dumping, whereas in China's case, 68 percent of all the U.S. investigations that target China result in the imposition of antidumping measures. Second, among investigations resulting in the final imposition of antidumping measures, China faces the highest antidumping rates among all the exporting countries. The average rate against China was 131.77 percent, which was twice as high as the ones faced by the average of all exporting countries. Third, China is continually the only country named in each investigation, given that an investigation usually includes multiple countries. Data also shows that China accounts for 42 out of 100 investigations associated with a single country (Bown, 2010).

After China's WTO accession in 2001, "between 2002 to 2004, which is the most recent time period since China's 2001 accession...there is no evidence ...[indicating] that the United States has lessened its discriminatory treatment of China via the antidumping policy relative to the pre-accession period" (Bown, 2010, p.299). According to data compiled by Bown (2010), the U.S. has, in fact, applied a higher level of antidumping measures against China during the post-accession period in comparison to the pre-accession period. Data from 2001 to 2004 reflects that almost eight out of ten investigations against China resulted in affirmative measures.

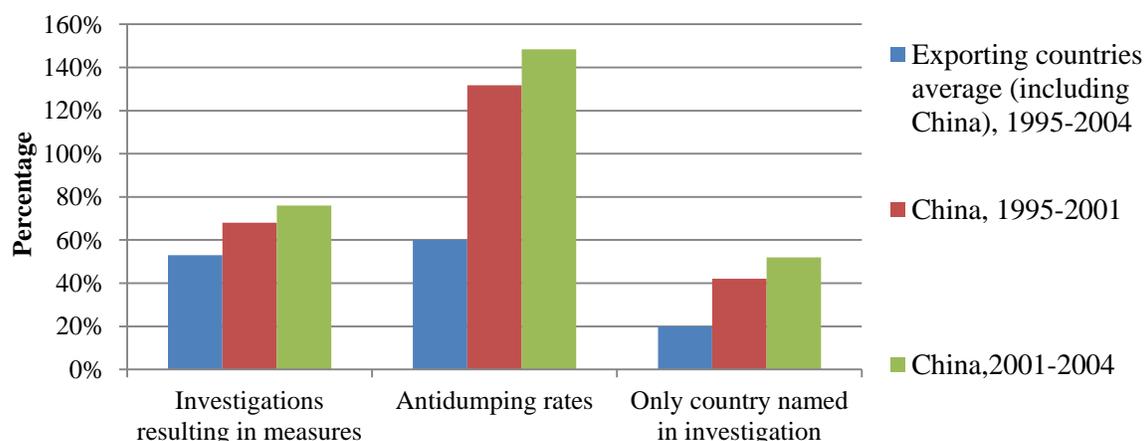
Antidumping rates levied on Chinese exporters increased by 12 percent compared to post-accession period. Also, the number of cases where China was the only subject country grew by 24 percent compared to the pre-accession period. As shown in Table 2 and Figure 4 below, the three discrimination indicators of China were compared with the average numbers of exporting countries during the pre-accession and post-accession periods.

Table 2. Discrimination indicators of U.S. antidumping against China, 1995-2001 and 2001-2004

	Investigations resulting in measures	Antidumping rates	Only country named in investigation
Exporting countries average (including China), 1995-2004	53%	60%	20%
China, 1995-2001	68%	131.77%	42%
China, 2001-2004	76%	148.38%	52%

Source: "China's WTO entry: Antidumping safeguards, and dispute settlement" (Chad Bown, 2010, p. 291-296).

Figure 4. Discrimination indicators of U.S. antidumping against China, 1995-2001 and 2001-2004



Source: "China's WTO entry: Antidumping safeguards, and dispute settlement" (Chad Bown, 2010, p. 291-296).

The graph reveals two facts: first, China was discriminated against in antidumping activities, especially regarding antidumping rates. In other words, China received considerably higher rates than other exporting countries. Second, discrimination was increased after China's

WTO accession. Prusa (2010) commented that Bown's statistics understate the actual discrimination towards China, because Bown includes China in the calculation of exporting countries average.

People would normally assume that WTO accession is a big step toward trade liberalization for a country, and hence it results in a lower trade barrier. However, the U.S. increased its use of antidumping measures, even after China's accession to the WTO. In fact, this is not surprising. Bown points out, "It does not automatically follow that, upon becoming a member of the organization [WTO], an acceding country necessarily receives equal treatment under WTO rules" (2010, p. 325). Becoming a WTO member does not imply that its policymakers will act on the trade liberalizing commitments, as WTO agreements are self-enforcing. For instance, China did not attempt to formally enforce its market access rights until 2008, which was seven years after its accession (Bown, 2010).

Conclusion

In the past, countries and organizations had spent a lot of time and effort reducing trade barriers through multinational negotiation, such as the GATT rounds. The rapid growth of the amount of antidumping usage during the past 25 years has raised a fair amount of concerns. One concern is that such massive application of antidumping measures would offset the agreements on trade barrier reduction made earlier. The second concern is that antidumping generates net welfare losses for a user country, thus creates inefficiency for the international trade market. There is a sufficient amount of evidence to support that the current U.S. antidumping policy is a bad and costly safeguarding system. In fact, it is found to be incapable of aiding U.S. employment. It offers only small benefits for domestic producers at huge costs on domestic consumers. Moral hazard problems could arise among producers. The U.S. antidumping laws and policies are unable to handle antidumping cases based on impartiality. Retaliation and

collusion are two hidden bombs that are likely to be triggered by frequent antidumping application.

Through studying the U.S. antidumping policies and laws against China, it is found that China has probably been treated differently compared to other countries. Both the NME methodology and the U.S.'s discriminatory treatment have resulted in China receiving antidumping rates that are significantly higher than those of other exporting countries. Besides the fact that the U.S. antidumping system seems unable to objectively address issues involving China, there are concerns on retaliation and trade relations. The case study of antidumping against Chinese tires alludes that China might be motivated by retaliation, even though China's tire industry was not deflated by the U.S. ruling. Retaliatory trade behaviors provoked by antidumping measures result in trade wars, and thus reduce the efficiency of the market. Another major concern about U.S. antidumping measures against China is the U.S.-China trade relationship, which is already intense.

Prusa (2001) used the theory of prisoner's dilemma to illustrate that countries tend to become more and more strategic when dealing with trade conflicts with their trade partners. A vicious cycle is, therefore, developed where trade barriers among countries become higher and higher. Prusa suggests that the continuous application of antidumping measures has the potential of driving countries to act more and more aggressively when dealing with trade issues. The only way to prevent the vicious cycle from happening is to make all the countries to halt excessive use of antidumping laws at the same time (Prusa, 2001). This simultaneous pause of antidumping practice across the world is not likely to happen in real life. This paper, nevertheless, stresses that countries need to be mindful when practicing antidumping, including considering its impact on welfare and the trade relations with other countries.

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Academic Vita

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Pennsylvania State University, University Park, PA 01/2009 - 05/2011
Bachelor of Science, Major: Economics
Schreyer Honors College, Dean's List: every semester, Michael Hodes Scholarship (Fall 2009-Spring 2010)

Pacific Lutheran University, Tacoma, WA 08/2006 - 12/2008
Major: Communication

RESEARCH

Research Assistant, The Department of Economics at Penn State Summer 2010

- Processed Sub-Saharan African demographic data with various economic models through STATA
- Presented the lineal relationship among those variables by graphing Excel charts
- Analyzed quantitative relationship and updated those new information into a published paper
- Conducted literature review on research methodologies and contributed ideas to research paper

INTERNSHIP

Agent Assistant, Creator Patent & Trademark Agency, Suzhou, China 06/2007 – Present

- Facilitated communication between patent agents using English to Chinese translation
- Presented products to foreign clients in Chinese, English and Japanese
- Attended court hearings on patent conflict cases in Beijing, China
- Continued serving the agency via email during academic year in the United States

ACTIVITIES

Leadership Assessment Center, State College, PA 10/16/2010

- Assessed leadership ability through one-day simulation of office work based on case studies
- Made presentations, solved conflicts, engaged in group projects given limited time to prepare for each exercise

Sales Associate, Garfield Book Company, Tacoma, WA 09/ 2007- 12/ 2008

- Awarded "Employee of the Month" for contributing to the clothing department (October, 2007)
- Monitored clothing stocks and assisted managers with ordering and receiving

SKILLS

Language: Chinese (Native), English (Fluent), Japanese (Proficient), French (Basic)
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