

This PDF is a selection from a published volume from the National Bureau of Economic Research

Volume Title: China's Growing Role in World Trade

Volume Author/Editor: Robert C. Feenstra and Shang-Jin Wei, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-23971-3

Volume URL: <http://www.nber.org/books/feen07-1>

Conference Date: August 3-4, 2007

Publication Date: March 2010

Chapter Title: Comment on "China's WTO Entry: Antidumping, Safeguards, and Dispute Settlement"

Chapter Author: Thomas J. Prusa

Chapter URL: <http://www.nber.org/chapters/c10464>

Chapter pages in book: (338 - 343)

Comment Thomas J. Prusa

Any comprehensive discussion of China's impact on the trading environment should include a discussion of rising protection against Chinese exports and the looming threat of China retaliating with its own intensive use of contingent protection. Chad Bown does a first-rate job of addressing the major trends. I have no reservations recommending this chapter to anyone interested in getting a quick picture of protectionist trends involving China.

Before making some specific comments on Bown's chapter, I would like to take a moment to draw attention to the significant time and effort Bown invested in compiling the trade dispute data set used to write this chapter. Data collection is among the least glamorous aspects of the research process. Moreover, in the case of Bown's database, the fact that most of the benefits of his time and sweat will ultimately accrue to others makes his endeavor even more noteworthy. While the World Trade Organization's (WTO) Web site provides information on trade disputes between member states, the WTO's official listing includes only the most basic case information (e.g., products and countries involved, dates, outcomes, etc.). Bown spearheaded a World Bank effort to compile detailed information on a wide variety of trade disputes—antidumping, countervailing duty, safeguards, and formal WTO disputes—initiated by WTO members.¹ Prior to Bown's efforts, detailed antidumping case information was only available for the European Union (EU) and the United States; there were no public databases for any of the other types of trade disputes or for antidumping actions by other countries. Bown's database gives researchers an opportunity to better understand the incidence and pattern of trade disputes across all WTO members. The current chapter is an example of the type of research that is now possible thanks to Bown's efforts. The database is a tremendous public good, and many of us owe him a debt of gratitude for his efforts.

Turning now to the current chapter, Bown documents a number of important trends in the use of trade remedies against and by China. First, Bown documents the widespread use of antidumping measures against China. Bown shows that China is the leading target on a worldwide basis, accounting for about 20 percent of all the cases reported by the ten most active users of antidumping. China is the leading target for six of the ten most active users in the early period (1995–2001) and for nine of the ten in the later period (2002–2004). Although he does not report China's share of all cases filed worldwide, it is reasonable to believe that the trends reported for these ten countries are representative of the overall worldwide trend because

Thomas J. Prusa is an associate professor of economics at Rutgers University, and a research associate of the National Bureau of Economic Research.

1. See http://people.brandeis.edu/~cbown/global_ad/.

they account for over 80 percent of the new antidumping cases worldwide. Simply put, the data presented confirm what many of us thought: China is in the bulls-eye of trade protection around the world.

Second, it appears that contingent protection against Chinese exports has increased since China joined the WTO. This finding must be carefully interpreted—the important comparison Bown is making is the number of trade cases against China in the post-WTO era versus those in the pre-WTO period. The issue is complicated because China's exports have increased and trade disputes are clearly related the volume of trade. Hence, it is not surprising that there are more antidumping cases filed against China in recent years. Bown's analysis does not tell us whether China has faced more antidumping actions than it would have without WTO membership. That is, we do not know whether WTO membership has failed to discipline the actions of China's trading partners. At first blush, however, Bown's data suggest that WTO membership has done little to reduce the contingent protection applied on Chinese exporters. This is only a modest complaint as an empirical study controlling for the various incentives for industries/countries to name China would be a full paper by itself.

Third, Bown documents the potentially alarming rise in China's own use of contingent protection. In the last five years, China's use of antidumping has tripled; recent trends indicate that China (along with India) will soon be the two largest users of antidumping, displacing the two longtime leaders, the EU and the United States. Bown highlights one interesting difference in China's use of antidumping as compared the United States and the EU: nondiscrimination. That is, Bown shows that China does not often target single suppliers in their antidumping investigations; Chinese cases tend to target multiple suppliers. As I will discuss in the following, this differs from the pattern of protection that China often experiences where Chinese firms are the only exporters targeted. While filing against multiple countries does make protection more MFN-like, it isn't clear that this pattern is preferable. Is it better to have all foreign suppliers facing high duties or only a single supplier? Antidumping proponents will argue that the discriminatory aspect of antidumping duties is desirable—only sanction the “unfair” trader(s). The fact that China is so often targeted does seem problematic, but we need to have a better idea of the motivation for the protection before concluding that discrimination is bad.

One reason why I like Bown's article is that it touches on many issues that can be examined in greater detail in future work. Here are some questions that Bown's chapter stimulated; I hope they are pursued in the near future.

Is China Unfairly Targeted?

Bown's compilations reveal that about 20 percent of all antidumping cases target China. Bown argues China's 20 percent share is unusually large. For instance, in the case of the United States and the EU, China's share of anti-

dumping cases is about twice as large as its share of the respective import market. Similarly large, often significantly larger, differences exist for other major antidumping users. This is true for both the early (1995–2001) and later (2002–2004) periods. For instance, China's share of antidumping cases is about six times larger than its import market share in Argentina, Brazil, India, and Mexico. In the case of Canada and Turkey, China's share of antidumping cases is more than ten times larger than its import market share. Overall and on a country-by-country basis, China is named far more frequently than its import market share might predict.

Moreover, Bown's statistics might be understating the extent to which China has been targeted. The reason is that a given antidumping *investigation* may involve multiple foreign suppliers. In a manner consistent with WTO reporting requirements, countries tally antidumping cases on a country-by-country basis. Thus, one investigation involving seven countries will result in seven cases. Unless one carefully controls for the fact that there is usually a single investigation, it is easy to understate how important China is to current trade disputes. From my perusal of Bown's database, it appears that the vast majority of investigations involve China—to a far greater extent than his tabulations indicate.

Let me give an example of my point. As of early 2008, there were thirty-eight active antidumping cases in the United States, with China accounting for seventeen of the cases.² Thus, at first blush, it appears that China is involved in slightly less than half the disputes. However, when one looks at the products involved it becomes clear that these thirty-eight cases actually involve twenty distinct *investigations*. Of these twenty investigations, eight involve just a single foreign supplier, and in all but one instance, the single country investigated is China. Twelve investigations involve multiple suppliers. Of the twelve multiple supplier investigations, China is named ten times. Thus, China is involved in seventeen of twenty active investigations. No other country is named more than three times. Japan—the country that dominated U.S. contingent protection in the 1980s and 1990s, is currently only subject to one investigation. It appears that China really is the country driving the current contingent protection. It would be useful to construct similar tallies for other antidumping users. The issue of an inordinate focus on China might be more severe than Bown suggests.

On the other hand, import market share may not be the right basis to judge whether China is subject to unusual scrutiny. The WTO antidumping code's *de minimis* standard for import market share is quite small. Technically, all that the WTO requires is China's exporters have at least 3 percent of a country's import market when it is the only country investigated and potentially as little as 0.5 percent when multiple countries are investigated. One would think that this is an easy threshold to meet. Perhaps another

2. See www.usitc.gov for U.S. antidumping statistics.

pertinent measure would be China's increase in import market share. In a follow-up study, it would be interesting to see if China has gained significant market share in the years prior to the filing of antidumping actions. My own sense is the answer will be yes.

Does Contingent Protection Discriminate against China?

Bown documents that China is often the only country named in a given antidumping investigation and that the propensity for this to happen has increased since its 2001 accession. He then makes a compelling argument that application of antidumping against China has become *more* discriminatory in recent years. I think this is an excellent insight and one that bears more consideration.

I have several specific follow-up questions. First, while the number of Harmonized System (HS) line items involved in these cases might be quite small, it would be interesting to know how much larger the tariff differentials are for the affected products. How steep is the discrimination? Did China face less discrimination in the pre-WTO era? Second, even in light of what will likely be large differences in tariffs, what is the impact of antidumping actions on Chinese exports? Is the elasticity of Chinese exports to antidumping duties similar to that for other suppliers? Third, are Chinese exports prone to more diversion to third markets? Fourth, if diversion is indeed found, to what extent does one country's use of antidumping trigger others?

How Much Do Current Rules Discriminate against China?

As discussed in the preceding, Bown documents that Chinese firms are often the target of contingent protection. He also shows that (a) a greater fraction of Chinese cases result in measures taken and (b) Chinese cases result in higher duties than others.

On the first point, Bown may understate the difference between China and other countries. Given that China accounts for so many cases, it would have been useful for Bown to report statistics for "all targets but China" rather than "all targets" in table 8.2. To get a sense of why, I took the data reports in table 8.2 and recalculated the percentage of cases resulting in measures. In my tabulation (see table 8C.1), the "others" category means all countries except China. As is clearly seen, China fares far worse than other targets for most major antidumping users. In the United States, for example, for the most recent period, 76 percent of Chinese cases result in duties, which compares with only 33 percent of non-Chinese cases. In the EU, 94 percent of Chinese cases result in measures taken; by contrast, only 48 percent on non-Chinese cases result in measures taken. In India, currently the world's most active antidumping user, 88 percent of Chinese cases and 65 percent on the non-Chinese cases result in duties. Only in the case of South Africa does China fare better than other targets.

The next question is how much do these differences matter? Using these

Table 8C.1 Fraction of cases resulting in measures taken

Importer	Early period (1995–2001)		Late period (2002–2004)	
	China	All but China	China	All but China
United States	0.68	0.51	0.76	0.33
European Union	0.53	0.62	0.94	0.48
Australia	0.15	0.31	0.75	0.57
Canada	0.60	0.61	0.71	0.55
Argentina	0.88	0.66	0.83	0.80
Brazil	0.80	0.54	0.67	0.56
India	0.93	0.83	0.88	0.65
Mexico	0.79	0.72	1.00	0.77
South Africa	0.87	0.66	0.20	0.31
Turkey	0.89	0.78	0.91	0.83

statistics, along with the number of cases filed by each country, I estimate that Chinese exporters would be subject to about 25 percent fewer measures if they had the same success rate as non-Chinese firms. Let me stress that this is a back-of-the-envelope calculation and really should be carefully redone control for other mitigating factors. The next step would be to also do an adjustment for the size of the duties imposed and the Chinese export elasticity so as to get a sense of how much trade is affected by the discriminatory application of the rules.

Certainly Bown's chapter makes me wonder why China fares so poorly. One possibility is that current antidumping rules are designed particularly to restrict exporters like China. If so, what rules and do those rules make economic sense? Perhaps, the rules are particularly effective for sanctioning nonmarket economies. If so, how does China compare with, say, Vietnam? Another possibility is that the evolution of discretionary practices emphasized by work by Bruce Blonigen has particularly made matters difficult for the Chinese. Of course, this means Blonigen's insight about U.S. practice has spread to other antidumping users. It would be interesting to see the answers to these questions in future work.

Is China Motivated by Retaliation?

Many antidumping provisions are broadly defined. Depending on your perspective, this is one of its failures or its virtues. What really constitutes injury? How much impact is necessary to satisfy "causation"?

One consequence is that it is often hard to know the true motivation for not just a particular dispute but also for a change in policy application. For many users, there appears to be some evidence that countries are filing cases with strategic incentives in mind. Bown has a fine paper exploring this idea, and I have also written on this idea. In this case of China, public statements by government officials have explicitly mentioned that they view their own

use of antidumping as partly motivated by retaliation for what they perceive as unjust application by other countries. It would be an interesting to see whether there is any statistical evidence for this or whether Chinese officials are simply making vague threats.

Overall, my comments point to future work rather than any particular shortcomings with the analysis in this chapter. I think Bown provides an excellent summary and overview of trade protection against and by China since the inception of the WTO in 1995. The data and analysis contained in the Bown article will serve as an excellent reference for many graduate students, researchers, and policymakers in the future.