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New ECIPE Working Paper

The trade effects of European anti-dumping policy

Anti-dumping is a favoured policy for protecting import-competing industries by raising import duties on specific foreign goods. But it is a complex and un-transparent tool and its real trade effects are not always easy to understand. In this new paper, Arastou Khatibi asks whether it really is the whole European market that benefits from anti-dumping duties. His results show that anti-dumping depresses trade overall, but allows greater trade between globally uncompetitive European firms. The result is inefficiency and price increases for consumers and importers.

It would be reasonable to assume that policymakers responsible for anti-dumping actions are aware of their trade effects on the domestic EU market. But surprisingly little is known at present and it is still an open and ongoing question. That anti-dumping duties depress trade from the targeted product's country of origin is now well tested, but the extent to which this actually benefits the domestic market by boosting local production is relatively unexplored. Anti-dumping measures may merely divert trade from targeted countries to third countries, making them an ineffective instrument for protecting domestic producers.

Khatibi's first finding in this empirical study is that anti-dumping protection does in fact favour internal EU trade, rather than diverting trade to third countries. But this is not good news for the overall domestic EU market. Firstly, the resulting increase in European production is never sufficient to offset the decrease in imports from countries targeted by anti-dumping duties. In the current global climate of economic contraction, EU anti-dumping policy is encouraging further trade depression.

Secondly, the increase in production is only seen in highly productive and competitive industries. The problem is that anti-dumping actions are often instigated by producers who are struggling to compete in global markets. These inefficient and uncompetitive firms do not show any significant production increases as a result of anti-dumping protection, so intensifying the decline in trade.

In this way anti-dumping duties protect a few industries at the expense of the overall domestic market. A decline in trade imposes price rises, potential supply shortages and choice restrictions on importers, retailers and consumers. Khatibi's study should be read in detail by all anti-dumping policy-makers.

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