

Introduction

U.S. antidumping and countervailing duty (AD-CVD) laws have been in place for more than a century, providing U.S. companies, farmers, and workers a remedy against subsidized and unfairly priced imports. These laws act by imposing a duty on an unfairly traded imported product to counter the size of the subsidy or the amount of dumping supporting the product. For at least the last 50 years, they have been the primary tool for countering foreign unfair trade practices in the U.S. market.



These laws have been widely used in the United States and around the world. AD-CVD laws have been operating in full accord with the world trading system since the inception of the system. There is a detailed section of the agreement that created the World Trade Organization (WTO) that describes the appropriate operation of AD-CVD laws.

CVD laws are aimed at countering the impacts of governmental subsidies, which are seen as market distorting. For their part, anti-dumping laws are a rough parallel to some aspects of domestic anti-trust/competition laws, which are widely used by leading market economies around the world. Further, in most industries where AD laws are employed, the pricing behavior that the laws aim to offset is a direct result of subsidies, closed markets, or the operation of non-market economies.

With all of the above in mind, one might suspect that AD-CVD laws would be seen in a positive light by advocates of free markets and free trade. In the United States at least, this is not the case.

Critics on several fronts in the United States dismiss the laws as arbitrarily applied,¹ costly to consumers,² and harmful to developing countries' trade interests.³ In essence, they condemn the laws as tools of protectionism and rigged against foreign companies.

Each of these criticisms can be addressed in great detail and, as is almost always the case in any public policy debate, the issues are complex. The critics, however, invariably give short shrift to the history of these laws and little attention to the positive case that has kept the laws in place for the last century – as trade has become increasingly important to the U.S. economy – and made them a central part of the global trading system. This is not simply because, as critics seem to suggest, of bureaucratic inertia or the power of special interests.

In fact, AD-CVD laws have remained a critical part of both U.S. trade laws and the world trading system because they play a vital role in promoting free trade, providing the ground rules for international commerce, and ensuring continued political support for trade liberalization. The positive case for AD-CVD laws thus warrants careful consideration.

1 Michael O. Moore, *Antidumping Reform in the Doha Round: A Pessimistic Appraisal*, (prepared for The Economics of the Doha Round and the WTO, University of Hong Kong, December 15-17, 2005); and J. Michael Finger, ed., *Antidumping: How it Works and Who Gets Hurt* (Ann Arbor: University of Michigan Press, 1993).

2 Dan Ikenson, *Antidumping Laws Hurt American Consumers*, Cato Institute Center for Trade Policy Studies, Aug. 21, 2001; and Gary Clyde Hufbauer & Kimberly Ann Elliott, *Measuring the Costs of Protection in the United States* (Washington, DC: Institute for International Economics, 1994).

3 Shoba Ahuja, *Anti-dumping Duties and WTO: Agenda for Reform*, The Hindu Business Line, June 15, 2002; and Arvind Panagariya, *The Millennium Round and Developing Countries: Negotiating Strategies and Areas of Benefits*, (prepared for the Intergovernmental Group of Twenty-Four on International Monetary Affairs, March 2000).