Assessing the anticipatory effects in the presence of antidumping duties; Canadian softwood lumber

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US antidumping (AD) policy generates anticipatory effects on firms subject to AD duties because of a process called “administrative reviews” in which US government agencies determines refund rates based on exporters’ most recent pricing behavior. The purpose of this paper is to assess the anticipatory effects from importers’ and exporters’ side by examining the US&#8211; Canada softwood lumber disputes. Using a demand estimation technique, we find that importers were less sensitive to tariff rates under the AD duties compared to standard tariffs, which indicates that the importers increased their volume of imports anticipating the future refund. We further show that the importers adjusted their anticipation adaptively, in the sense that the anticipated refund rate evolved according to the most recent revised rate of an AD duty released in the determination of an administrative review. On the other hand, using a pass-through regression, we find that the pass-through of the AD duties into export prices (boarder prices) is larger than that of standard tariffs by about 41% after controlling for unobserved demand shocks. The result indicates that the exporters set their prices higher under AD the duties in order to raise the future refund, which in turn increase their future profits through the evolution of the importers’ anticipation.