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Chapter 12

Increased Protection in the 1980's

Exchange Rates and Institutions

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Introduction

Trade protection is generally acknowledged to have increased in the United States during the 1980's (Rowley and Tollison, 1988). Several explanations of this phenomenon have been made in the literature, with two being pertinent here. First was the appreciation of the dollar between 1980 and 1985 (Haberler, 1988; Corden, 1987; Dornbush, 1988; and McCulloch, 1988). This persistent rise led to an increase in imports of products that compete with those of U.S. domestic firms. The second explanation for the increase in import restrictions lies in the more accessible trade "remedies" available to the protection seeker (Baldwin, 1989). Firms "injured" by imports could, among other things, search for ways to lower costs, accept lower profits for the duration of the appreciation, or appeal for protection. The last was seen by many as the least-cost solution.

The above explanations are not independent. The dollar's 1980-85 appreciation raised the demand for import restrictions. However, the supply of protection "remedies" has also changed. The emphasis is now on regulatory protection, exemplified by antidumping and countervailing

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duty determinations. The move to this type of protection was predicted by Finger, Hall, and Nelson (1982). The trend has been to deemphasize protection achieved through overtly political (legislative) channels. Jones (1986), in the prime example of an industry using available import-restricting institutions, traces the postwar protection accorded the U.S. steel industry, showing how it moved from attempts to impose quotas through Congress in the 1960's, to the use of antidumping and countervailing regulations in the 1970's and 1980's. Eichengreen and van der Ven (1984) point to changes in the Trade Act of 1974, in particular, that encouraged the use of antidumping petitions. Appeals for import restrictions for many products are now directed exclusively into administrative solutions.

A bureaucratic solution is, by definition, one of specific rules in an inflexible order.[1] Thus, a plea for trade protection presented in the proper form to the appropriate agency, and which followed all the rules for stepping through a "perfect" administrative procedure, or algorithm, would always result in some specific import restriction.

An antidumping duty is imposed in cases of price discrimination in which the U.S. customer pays the lower of two prices. A successful petition for protection typically results in a tariff that forces the U.S. consumer to pay the higher price.[2] A duty may also be levied in an antidumping case if the producer charges less than the cost of production. A countervailing duty is designed to offset subsidies paid by the exporting country.

Opposition to potential antidumping and countervailing duties by domestic groups, such as consumers or retailers, is mitigated in three ways. First, and most important, the rules preclude adversarial participation; dissenting domestic concerns are irrelevant to the decision

[1] The second definition under "bureaucracy" in *Webster's Collegiate Dictionary (Fifth Edition)* states that it is "officialism in government; rigid, formal measures or routine procedure in administration."

[2] The U.S. price is compared with either a price in the exporting country or to a price in a third country. In an antidumping case involving off-road motorcycles from Japan, for example, the duty was based on higher prices on such vehicles in Canada. There were very few sold in Japan; thus, a domestic price in Japan could not be established.

rules.[3] Second, the complexity of the process makes the cost of understanding the issues very high, especially when there is little payoff. Third, there will be little open discussion which could arouse opposition. Newpaper coverage, for example, of antidumping and countervailing cases is often limited to ex post decisions.

The Twin Towers of Bureaucratic Protection

Two U.S. Government agencies are involved in the disposition of antidumping and countervailing cases. The International Trade Commission (ITC) decides, via a quasi-judicial process, whether or not a domestic industry (as represented by those parties submitting a petition in a countervailing or antidumping case) has been materially "injured" by imports.[4] The ITC is an independent agency. The International Trade Administration (ITA), of the Department of Commerce, determines the size of antidumping and countervailing duties. A dichotomy is created where the ITC looks at the domestic picture for an industry while the ITA examines that industry's foreign competitors.

The ITC was established by Congress in the Trade Act of 1974 to supplant the Tariff Commission. There are six commissioners who vote on decisions concerning trade issues. All are appointed by the President, subject to Senate confirmation. No more than three may be from the

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[3] Finger, Hall, and Nelson refer to the "disenfranchising" of the opposition (1982, p. 454). Vermulst (1987, p. 66) notes that the "interested parties" are defined as (1) a foreign manufacturer, exporter, or U.S. importer of the merchandise under investigation (includes trade or business associations), (2) the government of the country of manufacture or export, (3) a manufacturer or wholesaler of the product in the United States; (4) a certified union or group of workers recognized as representative of the U.S. industry, (5) a business or wholesale association, the members of which are composed of (3), or (6) an association, the majority of whose members are composed of (3), (4), and/or (5) with respect to a like product. There are no consumer groups, industries using the products as inputs, or exporters that may challenge the decision. See the *Federal Register* 52, December 27, 1988, p. 52345, for a description of "interested parties" to countervail investigations. The regulation adds, in response to the Omnibus Trade and Competitiveness Act of 1988, a "seller in the United States of the like product produced in the United States" as one potential "interested party." Sellers of imports are still excluded. The definition of an "interested party" for antidumping cases is identical (*Federal Register* 53, March 28, 1989, p. 12771).

[4] The term quasi-judicial was used in the 1985, 1986, 1987, and 1988 *Annual Report* of the United States ITC.

same political party, thus earning the appellation "bipartisan." However, merely because an agent is "bipartisan" does not mean that the wishes of Congress cannot be satisfied. Baldwin (1986, p. 89) points out, for example, that the President has no authority to recommend or change the budget of the ITC. The ITC depends solely upon Congress in receiving and justifying its revenue.

Moore (1989) provides evidence that ITC "bipartisanship" is less than independence. He finds that constituencies of members of the Subcommittee on Trade of the Senate Finance Committee are more likely to get a favorable ruling from the ITC in antidumping cases. However, he was unable to find any pattern of support for constituents of the House Subcommittee on Trade of the Ways and Means Committee.

Moore does not test for a political cycle or use exchange rates to predict the outcome of ITC decisions. He does find, however, that ITC anti-dumping injury decisions (in the absence of congressional influence) are based on changes in domestic industry performance indicators such as declines in production, profit rates, and industry employment. Declines in these variables are taken as evidence of "material injury."

One key focus in this study is the influence of the exogenous flexible exchange rate on the provision of protection. Because the ITC looks only at the domestic industry, part of our attention shifts to the ITA, the agency that investigates the exporting industry. The ITA establishes the duty to be imposed whenever it finds guilt in antidumping and countervailing cases.

Antidumping and Countervailing Duty Cases, 1980-88

The authority for the investigation and determination of duties in anti-dumping and countervailing cases was transferred from the Treasury Department to the Commerce Department, effective January 2, 1980, by the Trade Agreements Act of 1979. That act also instituted strict statutory deadlines for the processing of antidumping and countervailing

allegations.[5] The transfer from the Treasury by the 1979 Act also removed the ability of the Secretary of the Treasury to suspend collection of countervailing duties. Senator Daniel Patrick Moynihan, a member of the Senate Finance Committee in 1979, was asked about the relocation of responsibility from Treasury to Commerce:[6]

Mr. Olmer: Senator, was there, in your mind, any linkage between the transfer of responsibility from the Treasury Department to the Commerce Department for administration of the antidumping countervailing duty law in passage of the 1979 Act, in this commitment that you spoke of to future generations?[7]

Senator Moynihan: Yeah, there was. And it does not intend any disparity [sic.] of the Treasury, but rather would more, I would hope, to be thought of as a compliment to the Department of Commerce. There is simply a matter [sic] of what the priorities of a Department [are]. . . . This is the Department of Commerce, if you will find yourself a seal, what do you see on it?

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[5] Vermulst (1987, p. 176, fn. 314) quotes the House Report on the Trade Agreements Act of 1979:

> The [Ways and Means] Committee is very dissatisfied with the past record of the Secretaries of the Treasury in assessing duties on entries subject to a dumping finding. Unless dumping duties are assessed in a timely fashion, the remedial effect of the law is negated. In this regard, the Committee finds the 3 to 3 and one-half year period average delay between entry of merchandise and assessment of duties unacceptable.

[6] From a transcription of the *Conference on Novel Issues,* held in Washington, DC, November 4, 1983. Recorded and transcribed by Free State Reporting, Inc., of Annapolis, MD.

[7] Sen. Moynihan stated that one of the purposes of the GATT *Subsidies Code* which was incorporated in, according to him, the Trade Agreements Act of 1979, was to save "future generations" from the ravages of subsidized competition. According to Sen. Moynihan, the jobs of thousands of future Americans are owed to the foresight of the Senate Finance Committee.

The seal of the Department of Commerce has an eagle sitting atop a shield containing a lighthouse and a ship. Moynihan could well mean that the Department of Commerce, in the person of the ITA, acts as a beacon of vigilance for the proper course of international commerce.

The 1979 Act made a significant institutional change in the mechanism for seeking protection through an antidumping or countervailing petition: transfer of the investigating agency and strict timetables. This chapter considers only those petitions directed to the ITA between January 1, 1980, and December 31, 1988. The Trade Act of 1984, according to Bello and Holmer (1983), made no substantive changes in the antidumping and countervailing duty investigation process. The Omnibus Trade and Competitiveness Act of 1988, however, significantly changed antidumping provisions (Lipsey, 1988).

Table 1 details the course of investigation of antidumping and countervailing duty cases prior to the assignment of any tariffs. The 1980-88 period saw 582 petitions filed. The most, 51, came against Japan. Among other particularly popular country marks: Brazil with 43, 34 for Canada, 34 for Mexico, 32 for South Korea, and 31 for Taiwan.[8] There were 351 antidumping cases. Japan led with 50 cases. Other popular targets for antidumping petitions were Brazil and Canada with 23 each, Taiwan with 25, West Germany with 20, and South Korea with 22. There were 231 countervailing cases during the study period. The most frequent target was Mexico, facing 28 petitions during 1980 through 1988. Other targets include Brazil (20), France (13), Spain (11), Canada (11), and South Korea (10).

The ITA is required to initiate antidumping and countervailing duty cases within 20 working days from the receipt of the petition. The initiation is a certification that the petitioner is an "interested party" and that there are sufficient grounds for investigation. The 582 petitions received during 1980-88 resulted in 570 investigations actually begun between 1980 and 1988; one case was initiated in 1989. Twelve cases, 10 antidumping and 2 countervailing, had petitions either rejected or withdrawn before initiation.

The initiation of the investigation is the formal notification to both the plaintiff and the defendant that further information, mostly from the

[8] Country detail is contained in Stallings (1990) and is available upon request.

Table 1--Summary of antidumping and countervailing activity, petitions filed between 1980 and 1988, through the preliminary ITC "injury" determinations

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
						Number					
Petitions filed with the ITA	24	23	94	69	95	101	100	23	53	0	582
Antidumping	16	12	34	50	51	62	71	15	40	0	351
Countervailing	8	11	60	19	44	39	29	8	13	0	231
Petitions dismissed or canceled	0	1	2	1	0	4	3	1	0	12	0
Cases initialized by the ITA	24	22	91	68	78	115	96	23	52	1	570
Days between petition and initiation	24.6	15.0	24.3	26.4	26.8	26.6	26.8	25.6	26.1	27.0	26.1
ITC preliminary determinations	15	15	69	42	59	92	94	21	45	3	455
Antidumping	12	12	31	39	43	69	67	18	37	3	331
Countervailing	3	3	38	3	16	23	27	3	8	0	124
Total positive	10	11	60	34	51	79	78	20	43	2	388
Antidumping	7	9	27	31	39	61	56	17	35	2	284
Countervailing	3	2	33	3	12	18	22	3	8	0	104
Total negative	5	4	9	8	8	13	16	1	2	1	67
Antidumping	5	3	4	8	4	8	11	1	2	1	47
Countervailing	0	1	5	0	4	5	5	0	0	0	20
Days between petition and ITC preliminary	61.6	60.1	52.5	47.6	50.6	46.0	47.6	46.0	45.9	54.0	49.0

Source: Stalling (1990).

defendant, is to be requested. The defendant's responses are available for review and comment by the petitioner or other "interested parties" during the course of the inquiry.

The next step is a preliminary injury determination by the ITC, required within 45 days of the petition being filed. This determination must be completed for all antidumping cases, but only for those countervailing duty cases that involve signatories to the GATT subsidies code or where the imported good is nondutiable. A negative preliminary injury determination at this point closes the case. The ITC relies solely on the content of the petition, subject to verification. Only 455 of the 570 cases initiated had to have a preliminary decision from the ITC. There were 331 antidumping cases[9] and 124 countervailing cases. Thus, 94 of all antidumping cases, but only 54 percent of countervailing cases went to a preliminary ITC decision.

The ITC made a number of negative determinations, closing 67 cases. The overall success rate is, at this stage, 86.2 percent (503 out of 582 cases), but is different for antidumping than for countervailing duty cases. Only 20 countervailing duty cases are included in the "negative" ITC determination category, compared with 47 antidumping cases. The 16.2-percent failure rate for countervailing duty cases is higher than that for antidumping cases. Countervailing cases may also be affected if the accused country decides to sign the GATT subsidies code. The case is then "reinitialized" by the ITA, and the ITC issues an injury determination.[10]

The positive decision reached by the ITC at this point is the first overt step in imposing costs on a possible defendant. The case then goes back to the ITA for determination of preliminary antidumping margins or subsidy rates. The failure of a company or importer to defend itself in

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[9] Ten antidumping cases were resolved after initiation but prior to the ITC preliminary determination by export restraints, dismissal of the petition, or combining petitions.

[10] Countries which became parties to the Subsidies Code in the midst of investigations include the Philippines, New Zealand, and Mexico. Prior to April 23, 1985, Mexico had not become a party to the GATT Subsidies Code. Therefore, no injury determination was necessary. However, after Mexico became a signatory, any countervailing cases that had not resulted in a preliminary ruling had to be resubmitted with allegations of injury. This action resulted in the petitions in two cases being withdrawn: "Converted Paper Supplies" originally filed on November 16, 1984, petition withdrawn May 17, 1985 (50 *Federal Register* 24012, June 7, 1985), and "Portable Aluminum Ladders and Components" originally filed March 26, 1985, petition withdrawn May 2, 1985 (50 *Federal Register* 21480, May 24, 1985).

accordance with the rules of evidence (as set by the ITA) automatically results in the information in the petition being used to determine the preliminary outcome. The case of "Industrial Belts from South Korea" (C-580-802) is typical, and shows the ramifications of not responding to a request for information. The Hankook Company of South Korea did not cooperate (in the view of the ITA) and was assigned a preliminary 24.52-percent duty. The average preliminary duty for all South Korean companies was only 0.51 percent. The same was true in "Reinforcing Bars and Shapes from Mexico" (C-201-401). Companies that "cooperated" were assigned a preliminary duty of only 1.73 percent. Companies which "unreasonably refused to provide requested information" had products assessed 104.58-percent duties. Thus, once the case proceeds to preliminary ITA determination, the failure to act is costly.

Table 2 covers the 503 antidumping and countervailing cases surviving the ITC preliminary injury determination. Forty-four cases were "resolved" prior to a preliminary ITA determination, with 20 resulting in trade restrictions (all involving steel or steel products). There were 459 total preliminary findings by the ITA, with 402 resulting in duties. Thus, 72.5 percent, or 422 of 582 petitions, achieve either a tariff or other export restraint. The success rate rises sharply once the ITA preliminary determinations are reached, as 87.6 percent of these decisions assigned duties.

The date of the preliminary decision, as published in the *Federal Register*, is the effective date that the duty is imposed. A petitioner might reasonably expect, on average, a 4-month wait for a countervailing duty (123.3 days, from table 2, including nonwork days), but a 6-month wait for an antidumping levy (184.3 days). The relevant economic question is the tradeoff, should one exist, between an antidumping and countervailing duty petition. One may hypothesize that information requirements for countervail petitions should be greater: specific subsidy policies of national governments and their application to individual industries must be gathered and documented. An antidumping petition requires only that a price difference be reported, with prices lower in the United States than somewhere else. Therefore, the statutory requirement that a countervail case take 30 days less, and the actual 60-day difference, may be an

inducement to seek a countervailing duty in addition to one for antidumping.[11]

There is also a "learning" process in countervailing cases which may encourage some free ridership. Once a country, such as Brazil for example, has been found guilty and information on its subsidy practices has been published, subsequent filings by other U.S. industries against their Brazilian cousins become easier. The subsidies found are often very similar (if not identical) to those in prior cases for the same country. This similarity does not generally, however, affect the time required for investigation; the specific type of subsidy must be verified as being used and the amount received by each company must be determined.

The "inducement" to continue to pursue antidumping cases would then trade relative success for the time period difference. The total number of preliminary duties applied in antidumping cases, 248, represents a 91.5-percent success rate (out of the 271 cases). The proportion of positive determinations also seems to have grown over time, with 96.5 percent of preliminary determinations assessing duties between 1986 and 1988, including 51 of 52 cases decided in 1986. The overall success rate for ITA preliminary determinations in countervailing cases is 81.9 percent (154 out of the 188 cases), declining sharply in 1986-88 to 70.6 percent.

The rate of success is only part of the story, however, as the size of the duty is also important. The overall unweighted average preliminary antidumping duty would raise the price of affected imports by 33 percent. Countervailing duties averaged 14.8 percent.

After the ITA Preliminary Decision

Once a preliminary decision has been issued, the parties may respond to the reasons given by the ITA in reaching its determination. The ITA also attempts to gather necessary information that was lacking for the preliminary finding. The result is that the ITA will give a second, and final, determination of antidumping margin or subsidy rate and set the size of the duty. This determination must occur (delays are permitted) within 75 days of the preliminary ruling in both countervail and antidumping cases.

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[11] There are often countervailing petitions filed at the same time as for antidumping, especially for developing countries.

Table 2--Summary of antidumping and countervailing activity, petitions filed between 1980 and 1988, preliminary ITA determinations

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
						Number					
Case completed prior to ITA preliminary	2	1	16	4	7	11	3	0	0	0	44
Export restriction	2	0	8	1	0	9	0	0	0	0	20
Petition withdrawn, dismissed, or combined	0	1	8	3	7	2	3	0	0	0	24
ITA preliminary determinations	6	15	59	48	69	84	79	38	47	14	459
Antidumping	1	10	17	31	34	52	52	28	33	13	271
Countervailing	5	5	42	17	35	32	27	10	14	1	188
No injury determination required	2	3	17	12	24	14	8	3	7	0	90
Injury determination required	3	2	25	5	11	18	19	7	7	1	98
Total positive	6	13	51	42	57	75	69	36	40	13	402
Antidumping	1	8	14	28	29	47	51	27	31	12	248
Countervailing	5	5	37	14	28	28	18	9	9	1	154
No injury determination required	2	3	16	10	19	11	7	3	4	0	75
Injury determination required	3	2	21	4	9	17	11	6	5	1	79
Total negative	0	2	8	6	12	9	10	2	7	1	57
Antidumping	0	2	3	3	5	5	1	1	2	1	23
Countervailing	0	0	5	3	7	4	9	1	5	0	34
No injury determination required	0	0	1	2	5	3	1	0	3	0	15
Injury determination required	0	0	4	1	2	1	8	1	2	0	19

Continued--

Table 2--Summary of antidumping and countervailing activity, petitions filed between 1980 and 1988, preliminary ITA determinations -- Continued

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
						Number					
Days between petition and ITA preliminary	90.0	159.1	162.7	170.9	143.4	160.4	151.0	163.5	171.7	201.5	159.3
Antidumping	113.0	179.7	206.3	194.9	177.4	184.8	167.7	183.9	191.1	204.9	184.3
Countervailing	85.4	118.0	145.0	127.0	110.3	120.6	119.0	106.4	125.8	157.0	123.3
No injury determination required	88.0	92.3	124.9	125.7	119.2	108.4	116.9	92.0	121.4	0	116.9
Injury determination required	83.7	156.6	158.7	130.1	90.9	130.1	119.9	112.6	130.2	157.0	129.2
Average duty	21.5	12.1	13.1	25.5	20.6	25.7	24.1	36.0	36.8	58.2	25.5
Antidumping	50.0	15.7	14.1	35.3	31.2	30.2	27.8	33.7	50.2	54.7	32.9
Countervailing	15.8	4.9	12.8	7.6	10.4	18.4	17.2	42.4	5.2	103.6	14.8
No injury determination required	12.3	5.9	16.4	6.7	11.2	21.6	50.0	114.3	3.9	0	19.3
Injury determination required	18.1	3.4	10.4	9.8	8.7	15.9	3.4	11.6	6.5	103.6	10.7

Source: Stallings (1990).

A final positive antidumping or countervailing duty finding by the ITA sends the case back to the ITC for a final injury determination. This finding is required within 45 days of the final ITA decision. The final picture for an antidumping or countervailing case emerges about a year after the petition has been filed. A negative final decision by the ITC, which states that no "injury" to domestic firms has occurred, removes any duties which have been assessed and leads to a refund of any paid.

Previous work has concentrated on decisionmaking by the ITC (Moore, 1989; Shughart and Tollison, 1985; and Baldwin, 1986). However, as we have seen, the ITC is not involved in all decisions for protection via antidumping or countervailing statutes. The ITA decisions may, of themselves, impose costs on exporters independent of a final duty or injury ruling.

The ITA may impose current and future costs on an exporting firm. A case that goes as far as an ITA preliminary ruling requires the importer, exporting company, or country of origin to mount a defense.[12] Failure to do so is an assumed plea of guilty as charged. Further, a preliminary positive ruling by the ITA requires that a bond be posted. This tariff is, moreover, imposed not only on subsequent imports, but on inventory currently on hand. No statutory trade protection, even in the days of Smoot-Hawley, imposed such a penalty.

Second, a positive preliminary or final ruling by the ITA may act to restrain exports regardless of the ITC final determination. Consider, for argument, cases in which the ITA has ruled that subsidies are being provided or that an antidumping duty is warranted, yet the final injury determination is negative. An increase in imports at any time after the ITC ruling may, in the future, lead to demonstrable injury. Since "unfair" trade practices have already been established, a future petition will be easily prepared. Further, any action that "injures" a U.S. industry will

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[12] A letter from the Charge d'Affaires of the Embassy of Colombia, Fernando Cepeda, to David Binder, Acting Director, Office of Investigation, dated May 17, 1981, regarding "Fresh-cut roses from Colombia" (1981), concerned this issue. Cepeda notes previous antidumping petitions against the Colombia flower industry (in 1979 against roses and in 1977 against all fresh-cut flowers) resulted in no direct relief to U.S. producers. He stated that "they had an adverse impact on the fresh-cut rose trade. The uncertainty which such action created in the market and the financial and administrative burden of their defense acted as a trade barrier . . . the legal costs of the defense can be very burdensome."

lead to a favorable outcome for a subsequent petitioner. Injury may, of course, be defined in a number of ways favorable to a domestic industry; loss of market share being one that is readily identifiable.

Worse, for the exporter, the provision of "critical circumstances" can come into play. "Critical circumstances" occur when the importer "should have known" that imports are at an "unfair" price and that there has been a "surge." A previous positive antidumping or countervailing finding is prima facie evidence that the importer "should have known."[13] Thus, any future duty under these statutes will be applied retroactively by 90 days prior to the preliminary ITA determination and can be selectively applied to individual companies. Appeals must wait for the ITA final ruling. A preliminary and/or final positive duty could reasonably produce a cautious response to any temptation by an exporter to expand sales in the United States.

Why Protection via Regulation?

The increased clamor for protection, especially early in the 1980's, and the means by which these demands were satisfied, served to advertise remedies that could be implemented quickly and provide effective relief. The brief 1980-88 history of countervailing and antidumping petitions provides eight identifiable benefits to those pursuing protection.

First, and most obvious, countervailing and antidumping investigations provide relief very quickly. Duties in countervail cases appear, on average, within 4 months of a petition. Those for antidumping take only 6 months (table 2).

Second, duties are prohibitive, especially when compared with the low level of current U.S. tariffs. Countervailing duties assessed in preliminary

[13] The antidumping case of "Photo Albums from Korea" (petition filed on January 30, 1985) proves instructive. The South Korean exporters would not (or could not) comply with the requirement that data be submitted in machine readable form. Thus, the Department of Commerce used the information in the petition itself to set the final ad valorem duty (equalling the dumping "margin") of 64.81 percent. According to the petition, apparently deemed by the Department of Commerce more reasonable than the efforts of the Koreans, the U.S. price represented slightly over 35 percent of production costs. Further, the ITA also discovered that Canada had previously found South Korea guilty of the same offense. The result was a finding of "critical circumstances"; the duty was applied retroactively to 90 days prior to the preliminary finding by the ITA (*Federal Register*, July 16, 1985).

ITA determinations between 1980 and 1988 were almost three times the current U.S. average tariff (14.8 versus 5.0 percent). Antidumping duties are six times that average, larger than the largest average tariff on dutiable imports since the United States entered World War II (*Historical Statistics of the United States*, 1975). These duties have increased in magnitude since 1986 (table 2).

Third, the duties are applied immediately to goods already warehoused in the United States by the importer. Before sales can be made out of that inventory, a "bond" must be paid to the Customs Service. Duties can also be applied retroactively, in "critical circumstances," to 90 days prior to the ITA preliminary ruling. This action yields protection within 1 month for countervailing or 3 months in antidumping investigations.

Fourth, the success rate (for the petitioner) is very high. There were 459 cases initialized by the ITA between 1980 and 1988 that received a preliminary determination from the ITC and/or the ITA. Preliminary duties were assigned in 402 instances. Another 21 cases yielded suspension agreements or quotas without a preliminary ruling. The overall success rate for a preliminary (or early) positive duty determination is over 70 percent. This rate rises sharply once frivolous cases are dismissed.

Fifth, even if no duties are applied, there are nontrivial costs associated with defending oneself against the charges. Estimates range from $100,000 to provide the most rudimentary defense (Vermulst, 1987) to $4.0 million (Rugman and Anderson, 1987) for a full defense. The latter example was for a case won by the Canadian softwood lumber industry in 1982. Should the exporter fail to respond to the charges, the information in the petition will be accepted by the ITA, and the duty requested by the petitioner will be granted. Unlike nolo contendere in legal proceedings, there is little scope for plea bargaining.

Sixth, there is no effective domestic opposition.[14] Neither the President, Secretary of Commerce, nor any other non-Divine entity may intervene to change a preliminary or final decision. Consumers, retailers, and

[14] Destler and Odell (1987) point out several cases in which domestic opposition to specific import restrictions has been helpful in preventing or softening proposed measures of protection.

manufacturers that use imported goods receive no consideration in the determination. They are not permitted to submit evidence to either the ITA or the ITC. The guilty exporter is officially labeled as someone selling a product at "less than fair value" if the charge was antidumping. The pejorative for countervailing is milder, but public notices provide a litany of rhetorically exploitable "unfair" subsidies.

Seventh, the rules of evidence are easy. An antidumping duty is automatic whenever the domestic price in the exporting country (or a third country in the absence of a domestic market) is found to exceed the U.S. price. A case against a Japanese exporter is virtually assured of victory: Japanese distribution systems are heavily protected, prices include premiums for certainty of delivery, and domestic industry cartels effectively segment domestic and export markets.[15] Other things equal, prices on Japanese goods sold in Japan will be higher than those same goods sold in the United States.

Pricing based on current production costs is also increasingly popular in antidumping cases. The petitioner may allege that home sales in Japan, for example, are below the cost of production. The ITA will then request that the company provide all expenditures relevant to the production of the merchandise under investigation. A judgment that goods are sold below the cost of production means that the "fair" price will be "constructed."[16]

"Constructed" prices may require higher costs than are economically justified. The exporting company must spend at least 10 percent of the price of the product on "general expenses," such as marketing, and also earn an 8-percent profit. There can be no "loss-leaders." The conception of marginal cost, especially that which declines over the range of production, is nowhere to be found. Joint costs which may be allocated between products are largely ignored. Thus, high-technology goods make excellent targets of investigation. Companies that economize on "general expenses" or temporarily accept lower profits will be penalized. Phases of the

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[15] See *The Economist* (January 28, 1989), pp. 15 ("Cheaper Shopping in Japan") and 70-1 ("Gingering Japan's Distribution System") for a description of retailing problems.

[16] The procedure is codified in the *Code of Federal Regulations* under title 19, part 353.5, as published in the *Federal Register,* March 28, 1989, p. 12787.

business cycle are immaterial.[17] No comparison with returns of domestic firms in the same industry is permitted. "Constructed value" implies, in some industries, that price is determined by adding together a superset of average (not marginal) input costs, rather than in organized markets of buyers and sellers.

Because of the domestic pricing structure, an assumed joint production of many goods, and the high technology character of many export industries in Japan one should not be surprised, that 40 of the 42 preliminary determinations for antidumping cases involving that country resulted in duties. These duties were an average of 44.2 percent, ad valorem.

The eighth reason that a petitioner would seek an antidumping or countervailing duty is the highly technical nature of antidumping and countervailing cases. Otherwise interested people will probably not be tempted to learn the way in which duties were calculated and imposed. The stultifying language in the *Federal Register* entries reporting ITA and ITC decisions discourages close reading, unless one is a party to the case and/or has a direct interest. There are several terms which may have been designed to evade easy interpretation. For example, "suspension of liquidation" indicates that a tariff has been imposed, and no further sales out of the importer's inventory may be made without paying the penalty. "Posting bonds" is a euphemism for collecting a preliminary or final duty before the final determination. "Constructed value" says that cost is the only relevant determination of price.

A reasonable assumption is that most people, although one would hope not the majority of economists, have little idea of the nature of the decisions made by the ITA. This assumption may also be expressed as

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[17] See Ethier (1982) for a more indepth discussion. Dale (1980, p. 199) notes a U.S. submission to the GATT antidumping code negotiating session in 1966:

> The use of "cost of production" when any comparable sale price can be found is subject to serious objection on both theoretical and practical grounds. Sales at below cost do not necessarily involve price discrimination. For example, domestic as well as export sales at below cost, can be normal business practice at times of business depression.

Even though the United States at one time formally recognized the business cycle causes of dumping, the ITA apparently ignores such in evaluating price complaints. Instead (Vermulst, 198 - p. 709) the ITA uses a "normal industry practice test," which does not recognize pricing policies during recessions.

rational ignorance; there is no reason, at the margin, that the person in the street perceives a net benefit from learning the minutiae of antidumping and countervailing cases.[18] Those antidumping cases based on price discrimination state that U.S. consumers should always pay the highest (most noncompetitive) price, regardless of how that price was obtained. Thus, if Brazil protects itself from imports of brass by imposing a tariff, then U.S. consumers should pay that Brazilian, tariff-ridden price on any imports from Brazil. The end result is the spread of other countries' import protection to the United States.[19]

Rules have shifted to the benefit of the petitioner, and never, since the passage of the 1974 Trade Act, to the benefit of the accused party. Sales at prices that are temporarily below production costs were not considered dumping before 1974, but have become a major way to establish a dumping "margin." The question is whether or not such fluid notions of "fairness," especially when the flow always benefits the domestic industry, imply that these instruments are protection. The answer cannot, objectively, be no. No one knows, with certainty, whether one's pricing behavior will, at some undetermined future point, suddenly switch from being acceptable to unacceptable.

Antidumping and countervailing investigations and subsequent duties advance the cause of protection, while successfully hiding that purpose. Exporters to the United States, particularly Canadians (Lipsey, 1988; Rugman and Anderson, 1987; and Morton, 1989), have continued to complain about the rise in such protection.[20] The dismal forecast implied by our model, below, is that the process will become more lenient to the petitioner in the future, because the petitioner is not the only beneficiary.

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[18] This process of rational ignorance is encouraged by "optimal obfuscation," as described by Magee, Brock, and Young (1989, p. 134): "The principle of optimal obfuscation suggests that a party will shift to more indirect policies for redistributing income so long as the electoral gains in voter obfuscation exceed the electoral cost of receiving fewer resources from the clientele lobby." That is, these protectionist policies must be transparent to those desiring them, but not to those who pay the price (such as consumers and retailers).

[19] Furthermore, exemption from import duties for inputs is countervailable, according to the ITA. Thus, the *ad valorem* duty not imposed by Brazil, for example, is imposed by the United States.

[20] Kelly and others state that complaints concerning U.S. antidumping and countervailing investigations are by no means limited to Canada (1988, p. 10).

Granting Protection

Benefits of administered protection accrue not only to those who demand protection, but also to those who broker import restrictions. Thus, the population at large turns into possibly unwilling (or at least unknowing) suppliers of income transfers to those who have successfully petitioned for relief.

The assumption is that there is a strong principal-agent relationship between the budget authority (the trade subcommittees in the House and the Senate) and the ITA.[21] Legislators earn votes by providing guidance for a constituent service. The ITA gains income by providing that service. There is a close (but not one-to-one) association between changes in the ITA budget for the division responsible for import investigations and the number of antidumping and countervailing cases handled (fig. 1).[22]

The strength of the principal-agent relationship should be most evident in periods when trade protection is especially valuable to the legislator. Voter myopia magnifies the importance of constituent services in election years. Tests should therefore indicate that significantly more cases are begun in election than nonelection years. Further, we would expect negative outcomes (no duties provided) are absolutely (with a statistical certainty of one) more scarce the closer one approaches election day.

Many of the same reasons that petitioners find administered protection desirable also benefit brokers of that protection. High tariffs and rates of success are marks in favor of the ITA and the legislator in whose district or State the beneficiaries reside. The mitigation of opposition provides

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[21] This assumption is based on theories of delegation advanced by Aranson, Gellhorn, and Robinson (1982); McCubbins and Page (1986); and Wolf (1979). They have been supported by the theory of bureaucracy first articulated by Niskanen (1971). The delegation theory is demonstrated in action by Fiorina (1977) and given empirical support by Weingast and Moran (1983).

[22] A similar result could not be obtained for the ITC; antidumping and countervailing investigations are 10.1 percent of its budget (the ITC *Annual Report*, 1988). The chart represents the percentage change in the real budget for the Trade Administration Division, which conducts the investigation of antidumping and countervailing duty petitions. In 1987, the Export Administration Division became separate. Fiscal years 1988-90 include Export and Trade Administration (now Import Administration) together to be compatible with prior years.

no opportunity for embarrassing debate. Rather, the legislator can stand in the forefront of a defense of "fairness." Complaints about the process are buried in references to rules and procedures. Last, fast relief provides a means whereby a legislator can quickly capture the gains afforded by trade protection.

Empirical Results

The assumption is that the 1980-88 period of antidumping and countervailing law was stable. The supply of this mode of protection is observed to be almost perfectly elastic: few petitions were refused. Virtually every opportunity to earn revenue (such as in the form of political capital and future budget appropriations) by the ITA was accepted. The quantity supplied is solely a function of the position of the demand schedule.

The most direct test of increased demand for protection has the number of antidumping and countervailing petitions as the dependent variable. The exchange rate hypothesis may be stated simply that as the dollar rises in value, then more antidumping and countervailing duty petitions will be submitted.

The political payoffs occur as one is closer to an election. More petitions should be filed in an election than a nonelection year. There is no distinction between Presidential and midterm elections. Our model specifies that the relevant actors are members of Congress and people in the supporting bureaus. The President has no authority to change any countervailing or antidumping ruling. Therefore, the question of the Presidential election is moot.

Last, the rate of growth in aggregate real income (gross national product (GNP)) may also affect the incentives to seek trade protection: slower growth in aggregate demand may induce petitioners to seek to restrict imports to maintain their sales in shrinking or stagnant markets. The equation tested is then stated as:

$$\text{ALLCASE} = \text{CONSTANT} + \beta_1\text{TWXALL} + \beta_2\text{GNP} + \beta_3\text{ELECTION} \qquad (1)$$

where:

ALLCASE = The total number of antidumping and countervailing petitions,

TWXALL	=	The real exchange rate index weighted by the total number of cases brought,[23]
GNP	=	Real U.S. GNP, and
ELECTION	=	Dummy variable for an election year, equaling one for all four quarters of an election year, zero for other years.

Quarterly data were used from 1980-88, giving 36 observations. The expected signs on the coefficients for TWXALL and ELECTION should be positive, and on GNP negative. Levels were used for both the exchange rate and GNP. The variety of products involved and the differing speed of import penetration in those markets makes a unique lag specification unlikely.

The ordinary least squares results, with all variables (except ELECTION) in logarithms, are in table 3 for the combined total of antidumping and countervailing petitions filed in each quarter. All coefficients as specified in equation (1) are of the expected sign. The coefficient on the exchange rate index based on all cases, TWXALL, implies that a 1-percent appreciation in the real value of the dollar will lead to a 5.4-percent increase in the total of antidumping and countervailing duty petitions. This exchange rate elasticity is significant at the 1-percent level. The coefficient associated with real GNP is significant at the 10-percent level. A 1-per

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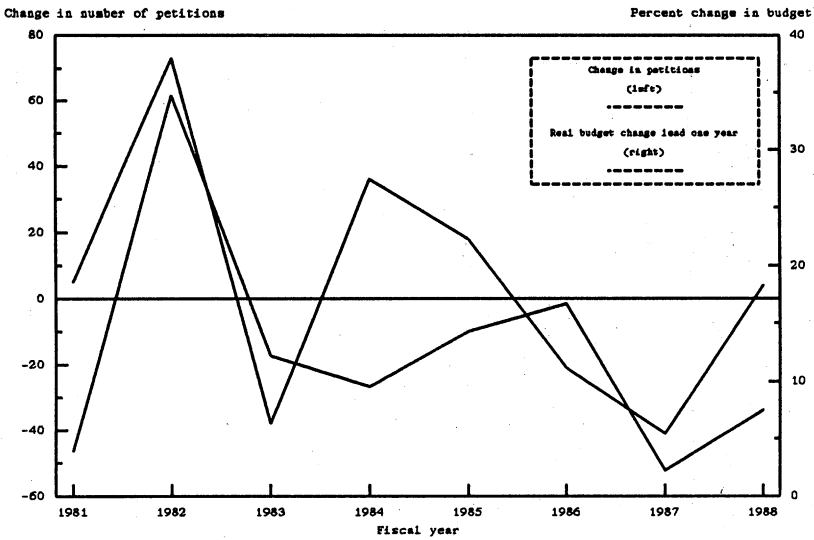
[23] The index was constructed as:

$$Index = 100 \prod_{i=1}^{60} R_{it}^{w_i}$$

where:

w_i	=	weight for country i, held constant through the study period, for the 60 countries against which antidumping or countervail petitions were brought between 1980 and 1988. Weights are shown in appendix table 1.
R_{it}	=	real exchange rate, in units per dollar, for country i in time t divided by the base period rate.

Figure 1
Budget increases and number of antidumping and countervail petitions



Trade Administration Division only
Source: U.S. Office of Management and Budget

conditions to regulatory activity, particularly Takacs (1981) and Shughart and Tollison (1985). Last, an election year will produce an 88-percent rise in the number of cases brought. The election year coefficient is significant at the 1-percent level.
cent increase in real GNP will lower the number of petitions by 1.8 percent. This result confirms earlier studies that relate business cycle

The significance of the election year can be seen most clearly in considering how large a change in the value of the dollar would be required to offset the election year effect. A 16.3-percent depreciation is needed to counter the increased number of cases in an election year.

The regression, as a whole, explains almost 60 percent of the variation in the total number of antidumping and countervailing duty cases. The Durbin-Watson statistic indicates no first-degree autocorrelation. These outcomes can be interpreted as strongly supportive of the two central hypotheses. An exchange rate appreciation leads to an increase in the demand for protection, as represented by the number of antidumping and countervailing petitions. Second, the filing of more petitions in an

election year can be interpreted as a sign of pressure on legislators that may be satisfied by a favorable antidumping or countervailing petition.

Using the exchange rate index for total imports (TWXTR) and the Federal Reserve weighted-average index (TWXFED) is also shown in table 3. The magnitude of the signs of the coefficients of the exchange rate variables and the election year variable were virtually the same, although the exchange rate elasticity decreases when the Federal Reserve index is used. The exchange rate and election year coefficients remain significant at the 1 percent level. The clear difference is the decline in importance of GNP as an explanatory factor (the sign reversal and in its coefficient).

When Are Decisions Made?

The "political cycle" has said, so far, that more petitions for protection occur as elections come near. This "cycle" also has another implication: decisions should also be more favorable as the election is closer. Both the ITC and the ITA could make decisions harmful to protection-seekers. The ITA could decide that no duty should be imposed. The major damage that the ITC can do to an antidumping or countervailing petition is to stop it in its tracks via a preliminary negative injury determination. A decision that no domestic firm is now (or could be) "injured" by imports will close the case, before any decision on the size of a duty can be reached.

The assumption of voter myopia tells us that the chances of a negative determination should fall as an election comes closer. Members of Congress are, by definition, more concerned with favorable outcomes for their citizens (in the form of constituent service and otherwise) as elections draw near. The recognition that one's representative is partially responsible for increases (or decreases) in one's wealth provides an incentive to vote for (or contribute to) the incumbent if he or she has recently "helped" deliver the goods (Kiernan, 1989).

The agency that assists the interested member of Congress has more to lose (the gratitude of a congressional sponsor at budget authorization time) the closer to the election that the agency chooses to issue an unfavorable ruling. The agency can, conversely, minimize negative

Table 3--Basic regression results for all cases, combining antidumping and countervailing

Dependent variable		ALLCASE
Independent variable	Coefficient	T statistic
CONSTANT	-6.7550	-0.7853
TWXALL	5.4071	7.0328
GNP	-1.8151	-1.7052
ELECTION	.6290	3.5796
Durbin-Watson	R-squared (corrected)	
2.0320	0.5962	
CONSTANT	-31.9450	-3.1802
TWXTR[1]	6.1186	6.7622
GNP	.8358	.7875
ELECTION	.6346	3.5189
Durbin-Watson	R-squared (corrected)	
1.9807	.5768	
CONSTANT	-25.4724	-3.1953
TWXFED[2]	13.8297	6.7575
GNP	1.3172	.7698
ELECTION	.6399	3.5179
Durbin-Watson	R-squared (corrected)	
1.8905	.5571	

[1] TWXTR was constructed in the same way as TWXALL, but with weights determined by imports into the United States from country i (see footnote 23). Weights are shown in appendix table 1.

[2] TWXFED was constructed in the same way as TWXALL, but with weights used in the Federal Reserve weighted-average exchange rate index for country i (see footnote 23). Weights are shown in appendix table 1.

political (and thus budgetary) costs by making adverse decisions outside the view of a nearsighted electorate. One may also avoid congressional harassment and the need for providing time-consuming regular reports.

Some negative decisions may be necessary, moreover, to ensure that positive decisions are more credible. The acceptance of all claims of injury or the belief that all imports are the result of price discrimination cannot be correct. Frivolous petitions are filed, including at least one case where the U.S. price was higher than that overseas.[24] A negative decision enhances the reputation of objectivity (even if it is a rare occurrence), making a positive decision more difficult for "outsiders" to challenge.

Those necessary negatives will, in standard economic theory, be made according to the principle of cost minimization. A rational bureaucrat avoids a negative decision, close to an election, that may produce poor press for an incumbent set of legislators. A potentially costly decision for an incumbent could also be a costly one for the offending agency. Thus, since some outward appearance of objectivity must be preserved, those statements of objectivity in the form of decisions adverse to trade protection will fall further from elections, on average. They then cost the agency less because they cost the principal less.

The results from table 4 indicate that the likelihood of a negative preliminary decision by the ITC is greater if it is reached over 366 days before an election than in the 365 days just before. The likelihood of negative determinations is about 1 in 5 between 365 and 730 days before an election, yet only 1 in 10 if between 1 and 365 days before. The average number of days between a negative ITC preliminary decision and the next election is 407.8 days. The average for a positive decision is only 332.8 days. Negative decisions occur further from elections than positive decisions.[25]

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[24] Gilmore Steel Corporation, for example, filed an antidumping suit against Belgium (September 29, 1983) for hot-rolled carbon steel sheet. The petition was dismissed because Gilmore did not produce the product. Syntex Agribusiness, Inc., filed a petition (November 11, 1983) alleging that a U.K. producer of choline chloride "dumped" their product in the United States. The ITA, in both its preliminary (April 30, 1984) and final (September 18, 1984) decisions, found that prices were actually lower in the United Kingdom.

[25] Similar results (Stallings, 1990) were reached for ITA preliminary duty decisions, but are excluded for brevity.

Table 4--Dispersion of positive and negative International Trade Commission preliminary decisions, by number of days prior to next election

Number of days prior to election	Negatives	Positives	Share of negatives
	------- *Number* -------		*Percent*
More than 640	16	51	23.9
Between 550 and 639	6	43	12.2
Between 460 and 549	6	29	17.1
Between 366 and 459	12	39	23.5
Between 270 and 365	8	34	19.0
Between 180 and 269	5	58	7.9
Between 90 and 179	10	88	10.2
Less than 90	4	46	8.0
More than 365	40	162	19.8
Less than 365	27	226	10.7
Average	407.8	332.8	N.A.
Standard deviation	215.2	222.6	N.A.

N.A.= Not applicable.
Source: Stallings (1990).

The evidence on the timing of ITC decisions is drawn on the population of antidumping and countervailing cases. The statements made concerning averages, percentages, and time are not made with some hypothetical distribution in mind, or using artificially constructed variables (exchange rate indices, real exchange rates, and GNP have some element of subjectivity in construction). Therefore, probability statements are inappropriate for what follows; we know the results with certainty. A negative decision (no protection) is less likely, the closer the next election.

Rent Seeking and Administered Protection

Protection under antidumping and countervailing rules is attractive because it is inexpensive: the rent-seeking costs are low relative to the transfers received. This incomplete rent dissipation can be observed quite easily, and leads to more protection than would otherwise be the case. The following stylized example provides an illustration.

A firm that produces, for example, economics texts, has a falloff in sales. Let us call it, for illustrative purposes, the Smoot Company. Its lead salesman notices economics texts manufactured in Japan in a local bookstore, at a 40-percent lower price than those produced by domestic companies, including Smoot. The board of directors of the Smoot Company (perhaps along with union representatives) contacts a trade lawyer in Washington, perhaps on the advice of their senator or representative. The lawyers tell them they have a good potential case of dumping. Furthermore, the average antidumping duty against Japanese goods will close the price gap at the current level of imports.

The Smoot Company pays the lawyer, who prepares the petition in its name. The petition finds higher prices either in Japan or Canada. Just for good measure, the accusations also allege sales at below the cost of production. The lawyer, noting lots of previous experience in handling Japanese cases, agrees to a $250,000 fee, representing a 1-year profit for a $2.5-million firm earning 10 percent. Thus, a very small company chooses protection if an alternative investment of $250,000 would still leave the Japanese manufacturer with a price advantage.

The rules specify that the Smoot Company must represent the industry, but if no other economics text manufacturer complains, the ITA assumes that this is true. The question of whether or not a petitioner represents an industry came up in the case of "Electrical conductor aluminum redraw rods from Venezuela" (A-307-701). The ITA stated that requiring that Southwire, Inc. (the petitioner) prove its representation would be "onerous."[26] Thus, many other manufacturers must respond to the petition if it is to be voided. This opinion adds costs not only to the importer, but to other industry members who oppose the petition.

Other economics texts manufacturers clearly benefit from duties imposed as a result of Smoot Company's action. Smoot Company therefore does not receive the full value of the transfer resulting from the protection. It does receive enough of a transfer, at the margin, to compensate it for the opportunity cost of the investment in protection.

Full dissipation of rents, economy-wide, will not occur. We therefore have a situation in which a great deal of protection can be produced at a

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[26] See the *Federal Register* of June 30, 1988, p. 24756.

very low price. Raising the price of obtaining that protection or lowering the potential for success would therefore reduce import restrictions. Whether the rise in rent-seeking costs is greater than the gains from less protection is an open question, but one may at least assume that less protection will be sought.

Summary

The problem of increased protection in the United States is not one of a persistent appreciation of the dollar. Increased protection occurred because the tools to restrict imports were available, easy to use, quick to implement, and virtually impossible to fight. Only the winners are permitted to play the game; the rest of us, the losers from protection, are only observers.

The problem of appeals to and the success in achieving antidumping and countervailing protection may seem hopeless barriers to those who favor a liberal world trading system. There is no incentive for the principal or agent to change the process except to improve the probability that protection is granted. Judgments are cloaked in terms of fairness, and criticism necessarily implies that the critic is opposed to fair play.

Solutions to the widespread use of administered protection involve education as to its costs. Further, the way in which decisions are reached must be changed to permit "outside" voices to be heard. Rent-seeking costs must be raised. Otherwise, we will be left with a great deal of protection at very low cost.

U.S. antidumping and countervailing laws may be mimicked in other countries. Vermulst (1989) details unilateral interpretations by the United States, European Community (EC), Australia, and Canada that have increased trade restrictions. As the dollar falls in value, foreign electoral cycles notwithstanding, we may expect our exporters to be penalized by antidumping and countervailing statutes very similar to those used in the United States.

The empirical analysis used has focused on a period in which the institutions of administered protection were stable. Therefore, the amount of protection offered was essentially a passive function of demand. However, those who determine the price at which these instruments of protection are offered are not passive. The supply side of

protection, in the principal-agent model, can be verified with the acceptance of institutional evidence.

Bureaucrats and legislators gain from the promotion of restrictions on "unfair trade." Thus, if exploitable "profits" remain from expanding the scope of administered protection, entrepreneurs in the public sector will find them. Antidumping and countervailing statutes continue to provide more opportunities for protection. The further evolution of antidumping statutes in the Trade Act of 1988 to include "downstream dumping" is an example of legislative attempts to broaden the reach of these laws. Further, the Department of Commerce has proposed antidumping rules at the GATT that could, conceivably, widen the use of such devices.[27] Despite the fact that an exchange rate depreciation may reduce petitions for administered protection, the principals (Congress) and agents (Department of Commerce) can maintain their strength by extending the use of regulatory devices over which they have control. Entrepreneurship remains alive and well outside the private sector.

Antidumping and countervailing statutes allegedly defend U.S. producers from predatory pricing practices of exporters to the United States. The empirical evidence shows an exchange rate and election cycle. The relevant question is one of why foreign goods are "dumped" or "subsidized" more frequently as the dollar appreciates or as members of Congress seek votes (or campaign contributions). The answer is that administered protection, as it has been with protection through history, is a solution partially obtained by the political process.

The concerns expressed herein also apply to other tests of price discrimination, where subjective notions of "fair prices" dominate the debate. When standard business and pricing patterns become "unfair" by definition, the dynamic process of capitalism itself may be threatened.

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[27] Lachica, writing in the *Wall Street Journal* (November 22, 1989, p. A7) states, "The United States recommended that the international trade organization [GATT] amend its 10-year-old dumping code to make it harder for companies to evade antidumping penalties."

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Appendix table 1--Weights used in exchange rate indices

Country	All antidumping and countervailing petitions	U.S. merchandise	Federal Reserve index
		Percent	
Argentina	2.4	0.4	--
Australia	.9	1.0	--
Austria	.7	.2	--
Belgium	1.8	1.0	6.4
Brazil	7.9	1.9	--
Canada	6.3	20.2	9.1
Chile	.6	.3	--
China	--	--	--
Taiwan	5.7	5.1	--
Colombia	1.5	.3	--
Costa Rica	.6	.1	--
Denmark	--	.5	--
Dominican Republic	--	.3	--
Ecuador	.4	.4	--
El Salvador	.4	.1	--
EC	.4	--	--
Finland	.4	.2	--
France	5.2	2.6	13.1
Federal Republic of Germany	4.4	6.1	20.8
Greece	.4	.1	--
Hong Kong	.4	2.7	--
Hungary	.6	.1	--
India	1.5	.7	--
Iran	.7	.3	--
Ireland	.2	.3	--
Israel	1.7	.6	--
Italy	5.0	2.7	--
Japan	9.4	20.1	--

See footnote at end of table.

Continued--

Appendix table 1--Weights used in exchange rate indices -- Continued

Country	All antidumping and countervailing petitions	U.S. merchandise	Federal Reserve index
		Percent	
Republic of Korea	5.9	3.2	--
Luxembourg	.6	--	--
Macao	--	--	--
Malaysia	1.1	.8	--
Mexico	6.3	5.8	--
Netherlands	1.1	1.1	8.3
New Zealand	1.8	.3	--
Norway	.2	.7	--
Pakistan	.2	.1	--
Panama	.2	.1	--
Peru	1.5	.4	--
Poland	--	--	--
Portugal	10.7	.1	--
Romania	--	--	--
Saudi Arabia	.2	2.9	--
Singapore	1.8	1.2	--
South Africa	2.0	.8	--
Spain	3.9	.8	--
Sri Lanka	.2	.1	--
Sweden	1.1	1.1	4.2
Switzerland	.6	1.0	3.6
Thailand	1.7	.5	--
Trinidad and Tobago	.4	.6	--
United Kingdom	2.8	4.9	11.9
Uruguay	.2	.1	--
Venezuela	2.8	2.2	--
Yugoslavia	.9	.2	--
Zimbabwe	.2	--	--

--=Exchange rate not included in the index.

Appendix table 2--Data used in regression analysis

Year	Quarter	Exchange rate based on all antidumping and countervailing case (TWXALL)	Exchange rate based on total merchandises imports (TWXTR)	Federal Reserve index (TWXFED)	Real U.S. GNP, trillion 1985 dollars (GNP)	Number of antidumping and countervailing petitions (ALLCASES)
1980	I	69.3	76.6	63.6	3.2334	6
	II	69.4	76.3	64.3	3.1570	4
	III	67.6	74.3	62.5	3.1591	6
	IV	68.2	74.9	65.6	3.1992	8
1981	I	69.7	76.1	69.7	3.2611	2
	II	73.3	79.2	75.7	3.2502	6
	III	76.6	82.8	81.6	3.2646	5
	IV	75.7	81.0	77.4	3.2190	10
1982	I	78.1	83.2	80.0	3.1704	29
	II	81.0	86.3	82.5	3.1799	24
	III	86.4	90.7	87.0	3.1545	31
	IV	85.8	90.1	87.7	3.1593	10
1983	I	85.2	88.2	84.6	3.1866	17
	II	87.9	90.1	87.0	3.2583	11
	III	90.2	92.2	90.9	3.3064	18
	IV	91.1	92.4	91.6	3.3651	23
1984	I	91.7	92.7	92.5	3.4517	24
	II	92.5	93.8	93.1	3.4980	17
	III	96.6	97.7	99.7	3.5206	28
	IV	99.1	99.3	103.3	3.5352	26

Continued--

Appendix table 2--Data used in regression analysis -- Continued

Year	Quarter	Exchange rate based on all antidumping and countervailing case (TWXALL)	Exchange rate based on total merchandises imports (TWXTR)	Federal Reserve index (TWXFED)	Real U.S. GNP, trillion 1985 dollars (GNP)	Number of antidumping and countervailing petitions (ALLCASES)
1985	I	102.1	102.7	109.1	3.5775	28
	II	101.5	101.4	103.6	3.5992	23
	III	99.7	99.5	97.3	3.6358	33
	IV	96.0	95.7	89.6	3.6624	17
1986	I	91.9	92.5	83.4	3.7211	28
	II	89.6	89.2	79.3	3.7046	30
	III	87.7	87.4	75.7	3.7124	14
	IV	86.9	88.1	74.8	3.7336	28
1987	I	84.4	85.9	70.2	3.7830	4
	II	82.0	83.2	68.4	3.8235	4
	III	82.0	83.6	70.1	3.8728	12
	IV	78.7	80.3	65.8	3.9356	3
1988	I	76.5	77.9	64.3	3.9748	16
	II	75.4	76.7	64.7	4.0107	27
	III	78.5	79.5	70.3	4.0427	6
	IV	77.4	77.4	67.1	4.0694	4