A. Introduction

Welcome to the 37th issue of the World Bank Trade Research Electronic Newsletter, a periodic E-mail publication containing abstracts of recent trade working papers, publications and other works. Additional information on the Bank’s Trade Research Team activities can be found on the recent redesigned World Bank Trade Research website (http://www.econ.worldbank.org/programs/trade). This provides basic information on research activities in progress, trade working papers, other Bank trade publications, trade newsletters and links to other trade related web sites. You may also visit the periodically updated website of the International Trade Department at http://www.worldbank.org/trade for additional information on trade and development, including the World Bank Institute’s activities in the area of capacity-building and training, the Integrated Framework for Trade-related Technical Assistance, periodic “Trade Notes” on topics of current interest and recent events and projects. If you do not wish to receive this electronic bulletin, please send an E-mail message with “Unsubscribe” in the title area to trade@worldbank.org.

All of the working papers listed below are available for downloading from the website in the Adobe Acrobat format at the address: http://www.econ.worldbank.org/programs/trade.

To obtain a hard copy of a working paper, please send your request (with postal mailing address) via E-mail to trade@worldbank.org.
B. Special Feature

1. Safeguards and Antidumping in Latin American Trade Liberalization: Fighting Fire with Fire (English and Spanish Editions)


Trade reforms undertaken by Latin American governments over the past quarter-century surpassed previous liberalizations in both scope and depth. An important element this time was to institutionalize the changes that were made through the acceptance of GATT/WTO bindings and the adoption of WTO-sanctioned trade defense or contingent protection instruments. This book examines how the governments of Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru created and managed safeguards and antidumping mechanisms as part of their liberalizations. To maintain industry’s support for liberalization the government had to ensure that exceptional situations of import competition were taken care of – while at the same time managing pressures so that the exceptions remained exceptions and the momentum of liberalization was maintained.

Adoption of WTO-sanctioned trade defense instruments prevented the proliferation of protectionist instruments that had eroded previous liberalizations. It also contributed to a shift of the culture of policy management: to one based on facts of economic potential – unified, objective and transparent mechanisms – from one based on relationships. The key element however was the courage and the political skill with of Latin American policy managers applied these instruments. Judicious use of the discretion policy managers maintained within the rules – to not impose restrictions when WTO rules would allow them – was as important as the administrative template the rules provided.

Individual chapters of the book are listed below and can be downloaded in their working paper versions from our trade web. For more information, please see the website: http://publications.worldbank.org/ecommerce/catalog/product?item_id=4928012.

The book is available as an “e-book” free of charge to those with access through subscribing libraries. Persons who are resident in developing countries may acquire the book at a 75% discount. For more information, see: http://econ.worldbank.org/WEBSITE/EXTERNAL/EXTDEC/EXTreSEARCH/EXTPROGRAMS/EXTT RADERESEARCH/0,,contentMDK:20792511~menuPK:544860~pagePK:64168182~piPK:64168060~th eSitePK:544849.00.html.

The Introduction and Overview is freely available from our trade web: http://siteresources.worldbank.org/INTTRADERESEARCH/Resources/Safeguards_and_Antidumping_C hapter1.pdf.

2. Antidumping and WTO Dispute Settlement Databases

Two new databases have been developed with the financial support of the UK Department for International Development under a joint project with the World Bank in recent months:

• (1) **Global Antidumping Database Version 1.0**, by Chad P. Bown (Brandeis University)

  This database comprises newly collected, detailed statistics on national governments' use of the antidumping trade policy instrument. The objective is to continue expand the country coverage of the dataset over time to include all economies that use antidumping. For more info on the time series available by country, product coverage of cases and dataset access, please visit the web: [http://people.brandeis.edu/~cbown/global_ad/](http://people.brandeis.edu/~cbown/global_ad/).

• (2) **WTO Dispute Settlement Database**, by Henrik Horn and Petros C. Mavroidis

  This database puts together all 311 WTO disputes initiated through the official filing of a Request for Consultations at the WTO, from 1995 to 2004. The dataset covers exhaustively all stages of dispute settlement proceedings, from the moment when consultations are being requested to the eventual implementation of the rulings. For details on variables included and other documentation, including a descriptive paper, see our web at: [http://econ.worldbank.org/WEBSITE/EXTERNAL/EXTDEC/EXRESEARCH/0,,contentMDK:20804376~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html](http://econ.worldbank.org/WEBSITE/EXTERNAL/EXTDEC/EXRESEARCH/0,,contentMDK:20804376~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html).

3. Relevant Recent Book Chapters, Journal Articles and Other Papers


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C. Recent World Bank Working Papers on Antidumping and Safeguard

• Trade remedies and World Trade Organization dispute settlement: Why are so few challenged?, Chad P. Bown, (WPS# 3540), March 2005.


• The political economy of antidumping and safeguards in Argentina, Julio J. Nogues and Elias Baracat, (WPS# 3587), May 2005.

Application of safeguards and antidumping duties in Colombia, Mauricio Reina and Sandra Zuluaga, (WPS# 3608), May 2005.


Keeping animal spirits asleep: the case of Chile, Sebastian Saez, (WPS# 3615), May 2005.


Antidumping and safeguard measures in the political economy of liberalization: the Mexican case, Luz Elena Reyes de la Torre and Jorge G. Gonzalez, (WPS# 3684), August 2005.

Global antidumping database version 1.0, Chad P. Bown, (WPS# 3737), October 2005.

D. Working Paper Abstracts

Trade remedies and World Trade Organization dispute settlement: Why are so few challenged? Antidumping and related trade remedies are the most popular policy instruments that many of the largest importing countries in the WTO system use to restrict international trade. This paper provides a first empirical investigation of the trade remedy and WTO dispute settlement interaction by focusing on determinants of WTO members' decisions of whether to formally challenge U.S. trade remedies imposed between 1992 and 2003. The author provides evidence that it is not only the size of the economic market at stake and the capacity to retaliate under potential DSU (dispute settlement understanding)-authorized sanctions that influence the litigation decision of whether to formally challenge a measure at the WTO. It also finds that if the negatively affected foreign industry has the capacity to directly retaliate through a reciprocal antidumping investigation and measure of its own, its government is less likely to pursue the case on its behalf at the WTO. This is consistent with the theory that potential complainants may be avoiding WTO litigation in favor of pursuing reciprocal antidumping and hence "vigilante justice."

Antidumping and safeguard mechanisms: the Brazilian experience, 1988-2003 The authors focus on the evaluation of the antidumping regime from 1988 through 2003. Although during these years, the demand for antidumping protection was growing, the number of investigations concluded with an affirmative determination was only 52 percent. The authors explain that the institutional framework in charge of administering the antidumping regime was subject to several reforms. Along this process, the Ministry of Development, Industry, and Trade has a more protectionist bias than the Ministry of Finance that, during the initial years of the liberalization program, played a prominent role in decisions regarding antidumping investigations and measures. The authors conclude that in comparison with other countries that are important users of the antidumping mechanism, the Brazilian experience reveals two interesting features: 1) A relatively small rate of final positive determinations. 2) A tradition of applying antidumping duties in amounts that on average have been quite lower than the full dumping margins.
• **The political economy of antidumping and safeguards in Argentina**

Beginning in the late 1980s, Argentina implemented a series of trade liberalization. A record number of antidumping petitions came forward. Under a situation of high inflation, the government reinforced its fiscal and monetary policies by announcing that it would minimize the use of such measures. A presumption built into the construction of the new mechanisms was that adhering to WTO requirements would strengthen the resistance against protection. But it turned out to be false. Changing circumstances in severe peso overvaluation had significant effects on the number and outcome of antidumping investigations. Regarding safeguards, few measures have been implemented. Rejections were based on a concern for consumer costs and on failure of the industry seeking protection to provide a convincing modernization plan. The fact is that some cases were brought to the WTO Dispute Settlement Body, have made safeguards a less attractive instrument for protection-seekers than antidumping. An important positive side of the story is that the hard-won liberalization has been maintained.

• **Antidumping policies and safeguard measures in the context of Costa Rica's economic liberalization**

This paper reviews the most important changes, both in the economy and in the legal and institutional framework, to deal with unfair trade practices that Costa Rica has experienced during its trade liberalization process. It also evaluates whether the sectors that as a result of such a process have been facing increased foreign competition, and may have attempted to use the WTO rules adopted by Costa Rica as a protectionist instrument. Costa Rica's legal framework against unfair trade practices at the multilateral level emerged when the country adopted the WTO rules on antidumping policies and safeguard measures. So far only six antidumping petitions and five safeguards have been received by the government. In reviewing these petitions, the government has paid particular attention to the impact of any action on the competitiveness of the domestic market and on the possibility that it would support modernization of the industry. Behind the political acceptance of this disciplined approach lies widespread recognition of the social as well as economic progress that liberalization has supported.

• **Application of safeguards and antidumping duties in Colombia**

Colombia's experience in the use of safeguards and antidumping duties differs from international trends. On the one hand, the number of investigations conducted is substantially lower than that recorded in most of the hemisphere’s large and medium-size countries. On the other hand, while there is a growing international trend of more frequent use of antidumping as opposed to safeguards, in Colombia the safeguard process has been the more used policy instrument. The trade liberalization process in the country has created awareness of the importance of preserving the competitiveness of production chains to strengthen their insertion in international markets, which has restrained the authorities from restricting access to intermediate goods and raw materials. The evaluation of the Colombian experience also raises concerns about the potential discrentional use of these instruments. The relatively intense use of safeguards and antidumping measures in some specific periods and sectors, especially in the agricultural sector, shows that the institutional framework is not always enough to guarantee a disciplined use of the instruments.

• **World Trade Organization safeguards and trade liberalization: lessons from the Argentine footwear case**

The footwear case provides an example of the complexities of WTO rules on the use of safeguards, and of the interaction of multilateral and regional processes of liberalization. As a result both of Argentina's unilateral liberalization and the removal of barriers within Mercosur, imports of footwear increased rapidly. As Mercosur provides no intra-regional safeguard mechanism, the government of Argentina responded by applying import relief and WTO safeguards against third countries. The WTO Dispute Settlement Body addressed these measures and as a consequence, Argentina dismantled most of them, leading to four main conclusions: The jurisprudence of the WTO's Appellate Body has created serious uncertainty as to when a country can use safeguards. It is an error to negotiate ambiguous multilateral agreements on the expectation that the WTO Dispute Settlement mechanism will clarify them.
An overvalued currency heightened the industry's problems. Finally, the political economy of liberalization also indicates the need for regional agreements to include adequate transition mechanisms that will facilitate adjustment to free trade and to maintain support for it.

- **Keeping animal spirits asleep: the case of Chile**
  Legislation on antidumping measures was introduced in Chile in 1992. The government has adopted such measures on just six occasions, of which two correspond to extensions of existing measures. Legislation on safeguard measures was introduced in 1999. In the 1999-2002, seven safeguard measures were adopted. The traditional agricultural sector was the main user of the measures, and no measure was in place for more than 12 months. The context of measures adopted by this entity support the idea that the objective was to alleviate the political pressures generated by the difficult economic situation rather than to correct problems originated by the price distortions of goods. In the second half of the 1980s, the government supported the liberalization process that started in 1985. Adopting safeguard legislation in 1999 helped to gain approval of further tariff reductions from 11 percent to 6 percent. During the decade of the 1990s and until the present day, the philosophy of minimal use to further liberalization has been maintained. The legislation has undergone modifications to adjust the instruments used to support the economic opening and international commitments.

- **Antidumping mechanisms and safeguards in Peru**
  Peru's experience in the application of antidumping and safeguard measures is characterized by a radical change in the philosophy and procedures of trade at the beginning of the 1990s, and by an increasing use of these mechanisms. The highly autonomous and technical Commission (INDECOPI) became the central player in the implementation of WTO rules and procedures for fair trade. Since the reform was launched, a total of 81 trade protection cases have been presented, of which 57 were followed by a dumping investigation. The application of antidumping duties was approved for 29 of the cases investigated. Only two cases of safeguard investigations were recorded, one of which (Chinese textile clothing articles) is still in the negotiation phase. This paper reviews that case experience in detail, concluding that Peru has clearly differentiated between unfair competition and dumping on the one hand, and damage and safeguards on the other, and has applied strict technical criteria to the former and broader political considerations to the latter. Despite recent indications of a partial retreat from those principles, the decade-old reform is expected to last.

- **Antidumping and safeguard measures in the political economy of liberalization: the Mexican case**
  
  Μεξιχοσσ χρεατιστι μανδαμετον ανδ υσε οφ σαφεγυαρδ ανδ αντιδυμπινγ προχεσσεσ το αδσεν χε υσε λιβεραλιζατιον αλλετρατε υσε λεσε (1) τηε χουντρψ ωασ αβλε το υσε τ εινιοτρυμεντα ωιτουρ λοσιν γινετικαλ χοντρολ; (2) τηε χουντρψ αδοπεδ α λιβεραλ ιζατιον−αχχεπτινγ μεασυρε οφ ιντερνατιοναλ νορμα. Αν μπορταντ ιννοσιτιον τητ Μ εξιχο μαδε οερατιοναλ ωασ τηε υσε τιπηαν ΩΤΟ ρυλεσ οφ πρεσαλινγ ιντερνατιοναλ πριχεσ ασ τηε μεασυρε οφ χομπετιτιον τητ ινδυστρψ ωασ εξεχεδ το μεετ. Τηε ΩΤΟ ρ υλεσ ολο αλσο ηαπε αλλωεδ τηε υσε οφ άτερ στανδαρδσ−ασ ιν τραδιτιοναλ αντιδ υμπινγ−υσινγ χουντριεσ−τητ ιμποσε λεσε δισχπιλε; (3) πολιτικαλ φυδιμεντ ανδ πολι τικαλ χουραρε αρ εασεντιαλ. Ωμελε μαστερψ οφ τηε τεχνιτικαλ ελεμεντιον οφ αλ σαφεγυα ρδ ορ αντιδυμπινγ ινστιτιατιον ισ μανδατορι, Συσταινινγ λιβεραλιζατιον δεπενδιν ιν σιγιφιχεντ φαρτ ον τηε πολιτικαλ σκιλα το κνου οηεν το εμπηασιζε τηε τεχνιτικαλ ε λεμεντι, οηεν ηομερ μορε ον τηε δισχρετιον τηε υσερνμεντ ρεταίνσ υνδερ τηε ρυλεσ , ανδ ον τηε χουραρε το δο ιτ.

- **Global antidumping database version 1.0**
This paper describes a newly collected, detailed database on national governments' use of the antidumping trade policy instrument. The data collection project was funded by the Development Research Group of the World Bank and Brandeis University. While still preliminary, it goes beyond existing, publicly-used sets of antidumping data in a number of fundamental ways. It is a first attempt to use original source national government documentation to organize information on products, firms, the investigative procedure and outcomes of the historical use (since the 1980s) of the antidumping policy instrument across large importing country users. The paper also reports more and recent data on a number of smaller users of antidumping, as well as some limited information on the use of countervailing measures from national governments that are users of countervailing duty laws.