

Temporary Trade Barriers: When Will They End?

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The Questions

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2. What are the determinants of renewals?
 - ▶ They don't happen for *no* reason at all

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 - ▶ ITC determines whether injury would recur / continue

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- ▶ May be concave in the AD duty

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4. Private actors make production, consumption decisions

Economy

- ▶ Two countries: home and foreign (*)
- ▶ Separable in three goods: X and Y (traded) and numeraire
- ▶ Demand identical for both goods in both countries
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Non-tradable specific factors motivates political activity

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 - ▶ Represents import-competing sector, X

The Players

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In Equilibrium

- ▶ Firms only put forth effort when they know renewal will be granted

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- ▶ *G's* valuation of harm to industry, e.g. how politically important is industry?

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Lemma 1

The probability that G renews AD duties is increasing and concave in lobbying effort e (i.e. $\frac{\partial b}{\partial e} \geq 0$, $\frac{\partial^2 b}{\partial e^2} \leq 0$).

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Result 1

The total probability that G renews AD duties is decreasing in the home trade agreement tariff τ^a .

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There's both a direct effect and an indirect effect through lobby's incentives, and both are negative:

$$\frac{\partial b}{\partial e} \frac{\partial e}{\partial \tau^a} + \frac{\partial b}{\partial \tau^a}$$

Foreign's Trade Agreement Tariff

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Result 2

The total probability that G renews AD duties is unaffected by foreign's trade agreement tariff τ^a .

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Result 3

The total probability that G renews AD duties is increasing in the profitability of the import-competing sector.

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The total probability that G renews AD duties increases when the weighting function shifts up exogenously and uniformly.

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- ▶ Effect may be concave

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 - ▶ Explain variation in a lobby's incentives between original application of AD and renewal
 - ▶ Lobby's choice between investing in productive vs. rent-seeking behavior while protected