Preliminary Outline for Dispute Length Project

Main idea: adapt SOP model to predict whether anti-dumping measures get renewed

- Note that this is not trade war: foreign is applying τ^{*a} in most / all cases

  - **Q**: Are all cases of renewal ones of no punishment, i.e. target country is applying MFN tariff?

- When is it worth it for lobby to exert effort to renew AD measure?

- Lobby must be able to trigger the AD measure in the first place

  - This means disputes/non-adherence to MFN tariffs must happen on the equilibrium path
  - Need uncertainty, asymmetric information, something
  - In my model, it is symmetric political uncertainty about how legislators (modeled in reduced form as position of median legislator) will vote

- In this setup, need "dispute" to last for 5 periods (years)

  - Then can extend it.
  - **Q**: for five more years?

- Why would there be variation in one lobby's incentives between $t = 1$ (original application of AD) and $t = 6$ when it comes up for renewal?

  - Uncertainty could be an answer, *and* it varies across industry
  - **Q**: Is this a plausible story?

- Also have to adapt model to cross-industry to get necessary variation

  - I've already done some of this leg-work for the NSF proposals, thinking about PTA project

Possible cross-industry variation

- Industry / lobby gets richer / more insulated for five years

  - This could lead to differences in budget constraint if that were in model

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- – This could lead to differences in ability to deal with technological gap with foreign competitors
    - ∗ **Q**: This is one of the arguments for escape clause, no?

- Lobby facing same uncertainty, behaving in same manner may get different outcome in the two draws (five years apart)

- Uncertainty could change, so behavior would change (this would be hard to pick up in the data that I have)

Median Legislator's Condition

- I believe I have to change the legislature's condition to be more like the cheater's payoff for this context

$$W_{ML}\left(\tau^{AD}, \tau^{*a}, \gamma(e,\theta)\right) > W_{ML}\left(\boldsymbol{\tau^a}, \gamma(e,\theta)\right)$$

    - – Need to make sure this is not always the case.
        - ∗ Median legislator still has to balance (weighted) producers and consumers.
        - ∗ If $\gamma = 1$, would pick optimal tariff.
        - ∗ If γ is so low that $\tau^N < \tau^a$, then agreement will hold. If $\tau^a < \tau^{AD} < \tau^{AD}$, depends on which is closer in welfare terms
    - – Seems to work okay in Matlab example: just pushes up break probability, trade agreement tariff; reduces gamma and effort ("SOP_example.m")
    - – Need to check exec's SOC

- There could also be uncertainty about the probability that foreign will dispute the AD measure; that could change from the original to the renewal

- Chad and Maurizio Zanardi are working on a paper on AD 5-year reviews

    - After five years, they come up for review

        * Some AD measures get removed, some not, some go to dispute
        * This is, of course, conditional on getting to five years

    - They have the data, but are not exploiting cross-industry variation

        * Instead, aggregate variation, things like recessions, exchange rates

    - They don't have a theory for the cross-industry variation, because the economic determinants are meaningless after five years

        * No injury, import surges: they've been protected for five years. No variation in new economic date b/c they've been insulated
        * What's the economic test? There really isn't one. "Would there be injury if we removed the duty?"
        * Politics could be that theory (my theory from above)
            · Q: Does hiring of lawyers for AD procedure get caught up in LDA data?