

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

- 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

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

- 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

- 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 data 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?