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## The EU's antidumping actions against Chinese products

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## **The EU's antidumping actions against Chinese products**

### **Abstract**

As the importance of tariffs in international trade has declined with the reduction of tariff rates under the GATT/WTO programs of multilateral trade liberalization, most governments prefer to protect domestic industries from foreign competitors through a variety of non-tariff barriers. Antidumping actions have recently become the world's biggest trade impediment due to their specific features and the antidumping activity of new users. Since China has become the major engine of world trade growth in recent years, it also has become the largest anti-dumping target in the world. However, the present world competition situation implies that world trade liberalization might arouse regional trade friction. The objective of this research is to identify whether China's WTO accession changed China's situation with regard to EU antidumping actions. The research analysis empirically proved that trade liberalization could partly affect the EU's antidumping actions against Chinese exports and the higher degree of industrial concentricity becomes a motive to increase the EU's antidumping activities against China.

**Keywords:** antidumping, China, multilateral trade liberalization, industrial concentricity

### **Introduction**

In 2011 China became the second-largest trading partner of the EU behind the United States, with bilateral trade of 428,287.8 million euros accounting for 13.3% of the total EU trade, according to Eurostat. The EU statistical trade report shows that imports from China in 2011 reached 292,070.9 million euros, which took 17.3% of total imports in the EU's international trade. The positive EU-China bilateral trade performance has proved that there is a strong economic complementarity for both countries' trade development. However, the present world competition situation implies that global trade liberalization might arouse regional trade friction.

In order to prevent unfair trade, the WTO formally established antidumping laws and provided opportunities for each member country to protect its corresponding domestic industries. The main purpose of the antidumping law is to eliminate unfair price of foreign export products in the importing domestic market. The antidumping measure is to impose additional duty on imports to prevent the unfairly low-priced exports from foreign rivals that are recognized by the WTO Antidumping Agreement (ADA)<sup>1</sup>. China has integrated into the global trading system by becoming a full member of the WTO in 2001. This does not mean that China can live up to trade liberalization without any trade frictions. Eurostat shows that from 1995-2011, the EU subjected 107 antidumping initiations to Chinese export products, which accounted for 24.4% of the EU's total antidumping investigations. Despite the remarkable level of bilateral trading, the EU-China trade dispute has become a hot issue.

This research aims to identify whether China's WTO accession has changed China's situation with regard to the EU's antidumping actions. First, the paper discusses the EU-China trade disputes based on dumping and antidumping under the WTO and the EU laws as well as China's motives for obtaining WTO membership. Second, the research attempts to perform more extended analysis, particularly focusing on the relationship between EU-China trade disputes and China's WTO accession. Finally, the paper assesses changes in the EU's antidumping actions subject to Chinese exports before and after China's WTO accession and the EU's antidumping actions (initiations and decisions) against China by products and product sectors.

The empirical research analysis has adopted a measurement of quantitative method and empirical work concentrated on individual products based on the Harmonized System Codes Commodity Classification (H.S.). The research results suggest that the trade liberalization could partly affect the EU's antidumping actions on Chinese exports, and the higher degree of industrial concentricity becomes a motive to drive up the EU's antidumping petition filings against China. Statistical data on trade and antidumping actions derive mainly from Eurostat and the World Trade Organization. Data on antidumping cover the period from 1995 to 2011<sup>2</sup>.

## **Contemporary arguments about antidumping**

The development of economic globalization not only deepens mutual interdependence among countries, but also raises their trading frictions. Trading conflicts will affect the development of bilateral trade and the regional economy, which might even result in worldwide economic crisis. Antidumping policy has been practiced for over a century, since 1904 when Canada passed the first formal antidumping (AD) legislation. Contemporary antidumping policy supporters such as K. Bagwell, R. Staiger [1990, 2005], B.P. Rosendorff, and H. Milner [2001] regarded antidumping policy as kind of

“safety valve” that can provide flexibility to the country’s government to raise trade barriers on foreign products in order to protect domestic industries. However, other scholars take a different point of view; for example, M.O. Moore and M. Zanardi [2007] intended to ascertain the implications of the rapid increase in the use of antidumping policy in developing economies. Their specific research objective is to evaluate whether or not the historical antidumping activities offset the loss from tariff reductions of the trade liberalization in a group of 23 developing countries. The research result indicates that the past use of antidumping actions have led to less trade liberalization.

However, multinational trade liberalization might also lead to the extra competitive pressure on domestic industries. The most remarkable study on the trade relations effects on China’s exports was conducted by C.P. Bown [2007]. In his paper, he attempted to examine the determinants of the trade frictions that had caused an increase of antidumping investigations since China became a full member of the WTO. His research proves that the bilateral trade friction partly resulted from increased trade flows since China’s integration into the global trading system.

The research of S. Xu and Y. Tang [2009] provided more specific evidence of the characteristics and determinants of the EU’s antidumping investigations of China. Their research concludes that since China’s accession to the WTO in 2001, EU antidumping actions against China have risen significantly. The primary antidumping investigations concerned the chemical and metal industries. The imports surge from China after WTO accession is one of the important reasons for the EU’s antidumping actions against China. The research also indicates that under the pressure of friction with other trading partners, the Chinese government has played an important role to change its export structure and adjust trade policy to rebalance the economy.

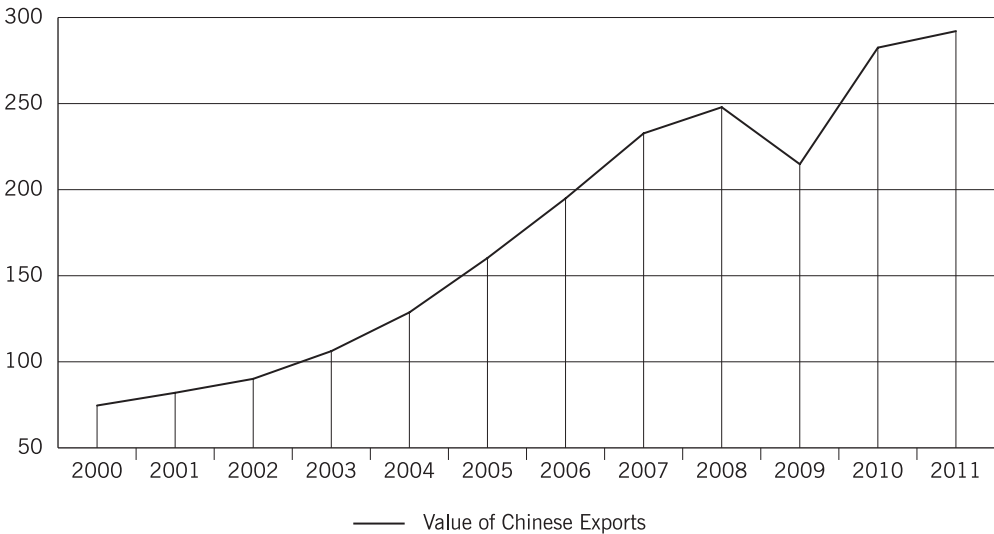
In recalling classical international economic theory, A. Smith [1974] believed that international trade liberalization could facilitate domestic development of production; the necessity of multinational trade was the discrepancy between the costs of production for the corresponding product. In the early 1800s British economist David Ricardo expanded on Adam Smith’s idea and stated that it paid for a country to specialize and exchange even if that nation was more productive than a potential partner in all economic activities. He used the theory of comparative advantage to modify Adam Smith’s idea that even though a nation held an absolute advantage in the production of two goods, the two countries could still trade with advantages for each as long as the less-efficient state was not equally inefficient in the production of both goods. This classical international theory has motivated many countries to undergo significant trade liberalization, particularly in the past two decades.

This raises the question of whether trade liberalization can promote multinational trade through a reduction of tariffs (a chief WTO goal is to reduce customs tariffs), or whether tariff reduction and subsequent competition have indirectly stimulated trade protection and increased the number of antidumping petition filings.

## Changes in EU antidumping actions against Chinese exports

From the external perspective, China's WTO accession is propitious for enlarging its exporting production sector and attracting more foreign capital investment. From the internal perspective, integration into world market competition will promote domestic industrial structural reform and enhance both the quality and quantity of domestic industrial output. This can be viewed as a challenge for both domestic firms and the Chinese government. In fact, the accelerated trade liberalization has significantly influenced the speed of Chinese exporting output. Chart 1 shows the value of Chinese exports to the EU for 12 years, from 2000 to 2011. We can see from the table that the value of exports has increased consistently since China joined the WTO. The table indicates that Chinese exports grew from 74.6 billion EUR in 2000 to 247.9 billion EUR in 2008. Although it slightly dropped in 2009 to 214.8 billion EUR due to the world economic crisis, it still reached 292.1 billion EUR by the end of 2011.

CHART 1. Changes of Chinese Exports to EU, 2000–2011 (1 000 million EUR)



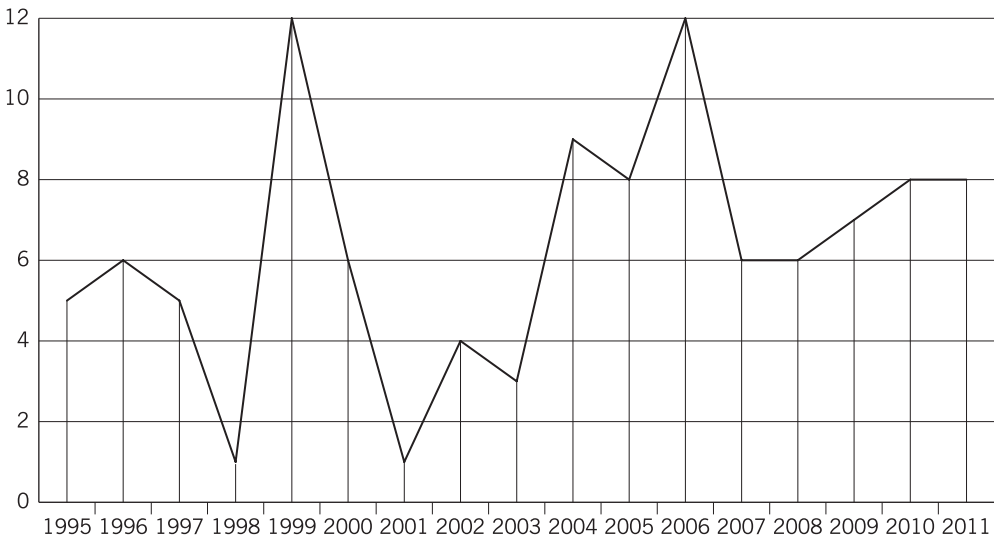
Source: data according to Eurostat.

The positive historical trade performance does not mean that China can live up without the influence from the prevalent use of antidumping trade protection instrument. Since China emerged as the second largest world economy and the first major import partner of the EU in 2011, EU-China trade disputes have become commonplace and

controversial. From China's perspective, the subjected antidumping petitions or antidumping investigation would certainly reduce its exports' competitiveness and subsequently reduce the share of the related products in the EU's market.

On the other hand, EU policymakers might believe that the antidumping actions could reduce pressure by the affected domestic firms and it also might compensate for the loss of low customs tariffs due to world trade liberalization. As a WTO member, the EU's competitive trade pressures come not only from China. According to Eurostat, in 2011 China only accounted for 13.3% of EU's total trade. Meanwhile, the steady expansion of the European Union not only drove up the EU's market demand but also pushed up internal market competition. The high degree of mutual dependence between the EU and China, as well as the anemic world economic situation, leads the EU's customers and importers to favor cheaper products. The motives for the EU's antidumping actions against Chinese products are complex and need to be observed deeply and objectively.

**CHART 2. Changes in EU antidumping actions against Chinese exports, 1995–2011**



Source: data according to Eurostat.

Chart 2 presents the number of EU antidumping initiations against Chinese exports in each of the 17 years from 1995 to 2011. In order to provide a balanced comparison, the research selects the seven years both before and after 2001 were selected. As we can see from chart 2 and the table 1a, prior to China's WTO accession (1995–2001),

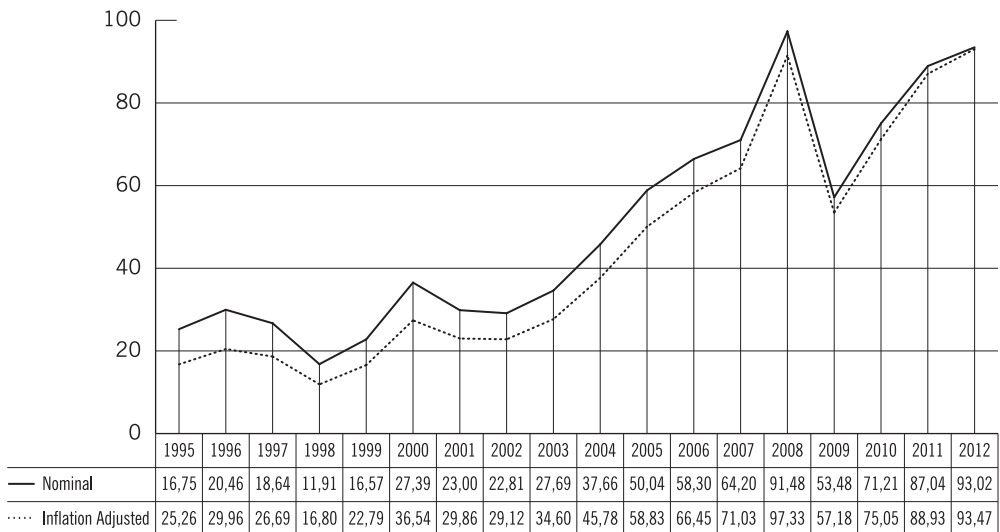
there were 36 EU antidumping initiations on Chinese exports. In 1998 and 2001, the number of EU antidumping actions dropped sharply to only one filing per year, but peaked in 1999 with 12 antidumping initiations. Then from 2002 to 2008, there were 48 EU antidumping petitions filed on Chinese products. The number of actions increased consistently from 4 antidumping suits in 2002 to 12 cases in 2006 and then fell sharply in 2007 with 6 antidumping initiations. Thus it is clear that the number of EU antidumping actions against Chinese exports significantly increased after China's accession to the WTO. One of the possible reasons for this is explained by the concept of a "safety valve". This theory holds that from the antidumping user country's viewpoint, antidumping action can offset the loss from low tariffs due to trade liberalization and reduce the competitive pressure on domestic industries. This could be the most favorable explanation for the antidumping user country because antidumping can be considered as a flexible foreign trade policy. However, in practice the reasons for adopting an antidumping policy could be more varied and much more complex than what we would expect.

## **China's reactions and other factors that might affect EU antidumping actions**

For most of the Chinese firms facing the EU's antidumping actions, it was difficult to cope with the details of the investigation by the EU Commission because of the language barrier. There were problems filling in forms asking for short summaries of extensive commercial information in English. Moreover, in regard of the Market Economic Status (MES), during the EU's antidumping investigation period, normal value should be determined according to EU's antidumping regulation paragraphs 1 to 6 of Article 2(7) (c), in which the EU Commission is to use five criteria in determining whether to provide the accused Chinese firm with Market Economy Treatment (MET). In fact, according to Eurostat from 2003–2011, none of the subjected EU antidumping cases fully provided MES for the Chinese firms. Only some of them could obtain Individual Treatment (IT). This has actually become a technical issue of EU-China bilateral trade disputes. The most difficult part for the accused Chinese firms is that they could not provide an accounting report that followed the international accounting standard (IAS) and subsequently they would finally fail in the litigation. Therefore, compared with western English-speaking countries, manipulating antidumping lawsuit procedure is more difficult for China. The fact that the objective technical support becomes a barrier to meeting the requirements of antidumping procedures could be one of the reasons for the growing number of filings against China. Certainly, China has been integrating into the global economy for only 12 years, since it joined the WTO. This issue inevitably occurs as China is still in the early stage of world economic integration.

The “investigation effect”<sup>3</sup> is another element that has contributed to the rise of EU antidumping initiations against Chinese products. T.J. Prusa [1996] found that even if there was no final definitive measure, the antidumping investigation itself would spur a drop in imports to the complaining country. Exporting firms, when informed of the antidumping investigation, were likely to decrease their output or divert their products to other countries. At this point, the domestic antidumping party may strategically initiate antidumping petitions in order to compete with the external rivals and this may consequently increase the number of antidumping actions.

**CHART 3. World Annual Average Crude Oil Price in \$/bbl (1995–2011)**



Source: chart fixed by author and data according to <http://www.plainsallamerican.com/>

From a macroeconomic point of view, the world economic crisis also has put pressure on the EU domestic industries. M.M. Knetter and T.J. Prusa [2005] and A. Aggarwal [2004] all noted that macroeconomic factors such as GDP growth, inflation, unemployment, etc. would significantly affect antidumping petition filing. During the economic recession, domestic firms were more prone to file antidumping petitions in order to reduce pressure from foreign competitors. In fact, the rapidly increasing price of oil can also make the macroeconomic environment worse. Chart 3 demonstrates that the world annual average crude oil price rose from \$25.26/bbl in 1995 to \$93.47/bbl in 2011. The rising price of the energy caused the cost of transportation and production to increase. This definitely reduced the profit margin of the domestic producers and made market competition more severe.



## Trends of China's exports subject to the EU's antidumping actions

After the Second World War, due to the tendency toward globalization, a worldwide division of labor inevitably occurred between the developed and developing countries. Economically, the comparative advantage of Chinese production is abundant human resources and this has contributed to making the structure of export-oriented production labor intensive. The majority of Chinese exports are half-processed and raw material products, which are in great demand in the EU and world markets. Most of the products are daily commodities and usually the market demand for these products is inelastic. Because of the lower technical barrier for entry and these inelastic characteristics, a majority of world manufacturers compete in very narrow product categories. This has made global trade competition more severe and made it more likely to provoke an antidumping petition filing from the importing country.

Now we will divide the EU's antidumping actions into initiations and definitive measures, and then classify and analyze both products and product sectors based on the Harmonized System Codes Commodity Classification (H.S.). Tables 1a and 1b and Charts 4a and 4b demonstrate the EU's antidumping initiations against China by product sectors in 1995–2001. From Table 1a we can see that there were 36 EU's antidumping initiations subjected to China in 1995–2001 and 10 EU's antidumping initiations in the subjected to chemical sector, which account for 27.78% of the total (see Chart 4a). Machinery and textiles were subjected to 6 and 5 antidumping actions respectively, accounting for 16.67% and 13.89% of the total. The base metals and transport equipment sectors each attracted 3 EU's initiations, with each accounting for 8.33%. This indicates that the EU's antidumping actions against China followed the worldwide tendency (compared with WTO records) in which antidumping cases concentrate on the chemical, machinery, metal and textile sectors. From Charts 4a and 4b we can conclude that before China's accession to the WTO, EU-China bilateral trade frictions mainly focused on five major industrial sectors: chemical, machinery, textiles, base metals, and transport equipment. In addition, prior to China's accession (1995–2001), 19 out of 36 EU actions definitively imposed antidumping measures. The most targeted sectors were once again chemicals and machinery; compared with the initial actions, they increased by 31.58% and 21.05% respectively.

In terms of antidumping measures, base metals bypassed the textile sector and rose to third place. As we can see from Tables 2a and 2b and Chart 5a and 5b, from 2002–2011, there were 71 EU antidumping initiations against China, of which 54 definitively imposed antidumping measures. On balance, in the seven years of 2002–2008, there were 48 EU initiations, 39 of which imposed antidumping duties. Both initiations and antidumping measures increased substantially over the pre-accession period (1995–2001). The number of the EU's antidumping initiations peaked in 2006 with 12 antidumping petitions, 9 of which imposed duties. The figures from Charts 5a and 5b show that both

**TABLE 1A. EU's Antidumping Initiations against China by Products and Product Sectors, 1995–2001**

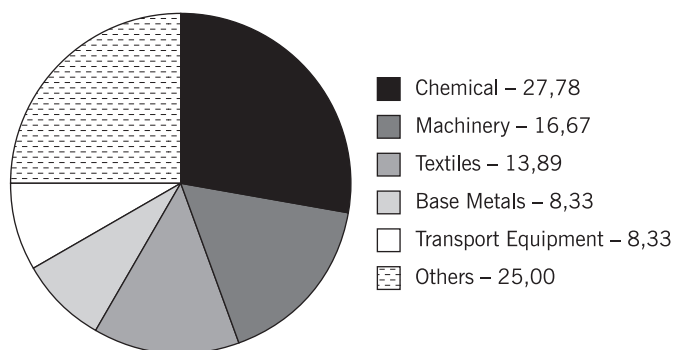
Year	Number of antidumping initiations	Products	Product sectors
1995	5	Certain Footwear (Textile Uppers) Certain Footwear (Leather Uppers) Furfuryl Alcohol Glyphosate Certain Ring Binder Mechanisms	XI XI IV VI XX
1996	6	Unbleached Cotton Fabrics Briefcases and Schoolbags Luggage and Travel Goods Handbags Stainless Steel Fasteners and Parts Ferro-Silico Manganese	XI XI VIII VIII XV VI
1997	5	Fax Machines Cotton Fabrics Unwrought Magnesium Thiourea Dioxide Laser Optical Reading Systems	XVI XI VI VI XVIII
1998	1	Steel Wire Rope	XV
1999	12	Yellow Phosphorous Compact Disc Boxes Non-Alloy Steel Hot Rolled Flat Products Malleable Cast Iron Pipe Fittings Certain Cathode-Ray Colour Television Picture Tubes Hair Brushes Glycine Coke of Coal in Pieces Certain Electronic Weighing Scales Bicycle Forks Bicycle Frames Complete Wheels of Bicycles	VI XVI XVI XVI XVI VII VI V XVI XVII XVII XVII
2000	6	Aluminium Foil Paracetamol Integrated Electronic Compact Fluorescent Lamps Ferro Molybdenum Certain Worked Monumental or Building Granite Stones Certain Zinc Oxides	XV VI XX VI XIII VI
2001	1	Sulphanilic Acid	VI

Source: data according to Eurostat.

**TABLE 1B. EU's Antidumping Measures against China by Products and Product Sectors, 1995–2001**

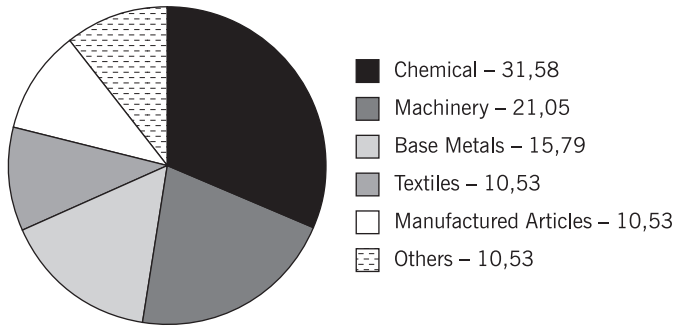
Year of definitive measure	Number of antidumping measures	Products	Product sectors
1995	4	Certain Footwear (Textile Uppers)	XI
		Certain Footwear (Leather Uppers)	XI
		Glyphosate	VI
		Certain Ring Binder Mechanisms	XX
1996	3	Handbags	VIII
		Stainless Steel Fasteners and Parts	XV
		Ferro-Silico Manganese	VI
1997	2	Fax Machines	XVI
		Unwrought Magnesium	VI
1998	1	Steel Wire Rope	XV
1999	4	Non-Alloy Steel Hot Rolled Flat Products	XVI
		Malleable Cast Iron Pipe Fittings	XVI
		Coke of Coal in Pieces	V
		Certain Electronic Weighing Scales	XVI
2000	4	Aluminium Foil	XV
		Integrated Electronic Compact Fluorescent Lamps	XX
		Ferro Molybdenum	VI
		Certain Zinc Oxides	VI
2001	1	Sulphanilic Acid	VI

Source: data according to Eurostat.

**CHART 4A. EU's Antidumping Initiations against China by Product Sectors (1995–2001), %**

Source: data according to Eurostat.

CHART 4B. EU's Antidumping Measures against China by Product Sectors (1995–2001), %



Source: data according to Eurostat.

the chemical and machine product sectors are the most targeted by EU's antidumping initiations, with 22 and 19 antidumping petitions respectively. Together they accounted for 57.76% of the total. If we compare the EU's antidumping actions (whether initiations or measures) against China between the pre-accession period and the post-accession period, the above analysis indicates that since China's WTO accession, the number of EU antidumping actions against China has substantially increased.

TABLE 2A. EU's Antidumping Initiations against China by Products and Product Sectors, 2002–2011

Year	Number of antidumping initiations	Products	Product sectors
2002	4	Para-Cresol	VI
		Disposable Gas-Fueled Pocket Lighters	XX
		Furfuryl Alcohol	VI
		Sodium Cyclamate	VI
2003	3	Polyethylene Terephthalate (PET)	VI
		Okoumé Plywood	X
		Polyester Staple Fibres	XI
2004	9	Hand Pallet Trucks and Their Essential Parts	XVII
		Barium Carbonate	VI
		Certain Castings	XVI
		Certain Finished Polyester Filament Apparel Fabrics	XI
		Trichloroisocyanuric Acid (TCCA)	VI
		Certain Magnesia Bricks	VI
		Stainless Steel Fasteners and Parts Thereof	XV
		Granular Polytetrafluoroethylene (PTFE) Resin	VI
		Tartaric Acid	VI

Year	Number of antidumping initiations	Products	Product sectors
2005	8	Lever Arch Mechanisms Chamois Leather Certain Footwear with Protective Toecap Certain Plastic Sacks and Bags Certain Footwear with Uppers of Leather Recordable Digital Versatile Discs (DVD+/-R) Recordable Compact Discs (CD-Rs) Certain Tungsten Electrodes	XVI VIII XII VII VIII XVI XVI XVIII
2006	12	Cathode-Ray Colour Television Picture Tubes Pentaerythritol Frozen Strawberries Ironing Boards Certain Saddles Peroxosulphates Dicyandiamide Silico-Manganese Ferro-Silicon Polyvinyl Alcohol (PVA) Coke of Coal in Pieces Certain Compressors	XVI VI II XX XX VI VI VI XV VI V XVI
2007	6	Citric Acid Monosodium Glutamate Certain Welded Tubes and Pipes of Iron or Non-Alloy Steel Certain Prepared or Preserved Citrus Fruits Certain Iron or Steel Fasteners Certain Hot-Dipped Metallic-Coated Iron or Steel Flat-Rolled Products	VI VI XVI II XVI XVI
2008	6	Stainless Steel Cold Rolled Flat Products Certain Pre- and Post-Stressing Wires and Wire Strands of Non-Alloy Steel (PSC Wires and Strands) Certain Candles/Tapers and the like Wire Rod Certain Seamless Pipes and Tubes (of Iron or Steel) Certain Aluminium Foil	XVI XVI III XV XVI XV
2009	7	Certain Cargo Scanning Systems Certain Molybdenum Wires Sodium Gluconate Certain Aluminium Road Wheels High Tenacity Yarn of Polyesters Ironing Boards Continuous Filament Glass Fibre Products	XVI XVI VI XVII XI XX XIII

Year	Number of antidumping initiations	Products	Product sectors
2010	8	Melamine Coated Fine Paper Certain Open Mesh Fabrics of Glass Fibres Ceramic Tiles Wireless Wide Area Networking (WWAN) Modems Tris (2-chloro-1-methylethyl) Phosphate Certain Seamless Pipes and Tubes of Stainless Steel Certain Graphite Electrode Systems	VI IX XIII XIII XVI VI XVI XVI
2011	8	Oxalic Acid Certain Concentrated Soy Protein Products Certain Woven and/or Stitched Glass Fibre Fabrics Certain Aluminium Radiators Certain Aluminium Foil in Rolls Certain Organic Coated Steel Products Sodium Cyclamate Tartaric Acid	VI IV XIII XVII XVI XVI VI VI

Source: data according to Eurostat.

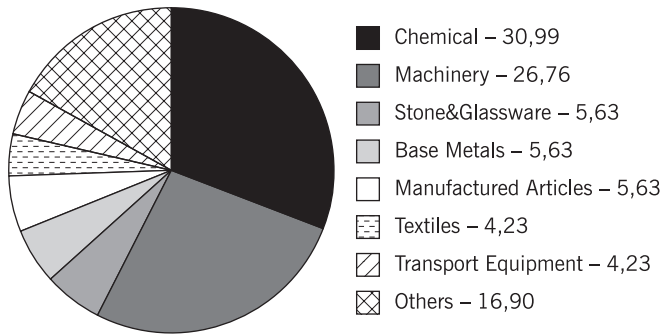
**TABLE 2B. EU's Antidumping Measures against China by Products and Product Sectors, 2002–2011**

Year of initiation	Number of antidumping measures	Products	Product sectors
2002	3	Para-Cresol Furfuryl Alcohol Sodium Cyclamate	VI VI VI
2003	3	Polyethylene Terephthalate (PET) Okoumé Plywood Polyester Staple Fibres	VI X XI
2004	9	Hand Pallet Trucks and Their Essential Parts Barium Carbonate Certain Castings Certain Finished Polyester Filament Apparel Fabrics Trichloroisocyanuric Acid (TCCA) Certain Magnesia Bricks Stainless Steel Fasteners and Parts Thereof Granular Polytetrafluoroethylene (PTFE) Resin Tartaric Acid	XVII VI XVI XI VI VI XV VI VI

Year of initiation	Number of antidumping measures	Products	Product sectors
2005	5	Lever Arch Mechanisms Chamois Leather Certain Plastic Sacks and Bags Certain Footwear with Uppers of Leather Certain Tungsten Electrodes	XVI VIII VII VIII XVIII
2006	9	Frozen Strawberries Ironing Boards Certain Saddles Peroxisulphates Dicyandiamide Silico-Manganese Ferro-Silicon Coke of Coal in Pieces Certain Compressors	II XX XX VI VI VI XV V XVI
2007	5	Citric Acid Monosodium Glutamate Certain Welded Tubes and Pipes of Iron or Non-Alloy Steel Certain Prepared or Preserved Citrus Fruits Certain Iron or Steel Fasteners	VI VI XVI II XVI
2008	5	Certain Pre- and Post-Stressing Wires and Wire Strands of Non-Alloy Steel (PSC Wires and Strands) Certain Candles/Tapers and the like Wire Rod Certain Seamless Pipes and Tubes (of Iron or Steel) Certain Aluminium Foil	XVI III XV XVI XV
2009	7	Certain Cargo Scanning Systems Certain Molybdenum Wires Sodium Gluconate Certain Aluminium Road Wheels High Tenacity Yarn of Polyesters Ironing Boards Continuous Filament Glass Fibre Products	XVI XVI VI XVII XI XX XIII
2010	5	Melamine Coated Fine Paper Certain Open Mesh Fabrics of Glass Fibres Ceramic Tiles Certain Seamless Pipes and Tubes of Stainless Steel	VI IX XIII XIII XVI
2011	3	Oxalic Acid Certain Concentrated Soy Protein Products Certain Aluminium Radiators	VI IV XVII

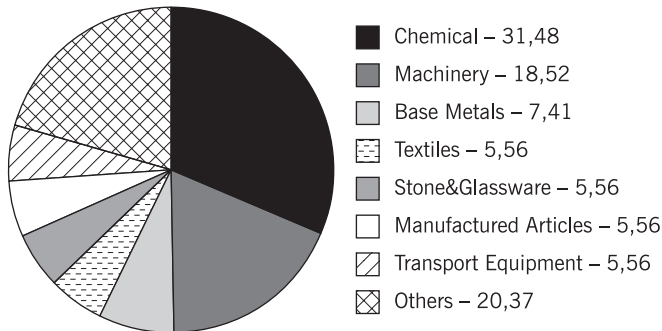
Source: data according to Eurostat.

CHART 5A. EU's Antidumping Initiations against China by Product Sectors (2002–2011), %



Source: data according to Eurostat.

CHART 5B. EU's Antidumping Measures against China by Product Sectors (2002–2011), %



Source: data according to Eurostat.

From 2002 to 2011, there were seven major product sectors associated with the EU's antidumping initiations and measures. They were chemical, machinery, base metals, textiles, stone and glassware, manufactured articles, and transport equipment. With regard to the EU's antidumping measures, chemical and machinery products were the most targeted sectors. Table 2b shows that 17 chemicals and 10 machinery cases were the target of antidumping duties, which accounted for 31.48% and 18.52% respectively (see Chart 5b) of all antidumping duties. Comparing Chart 5b with Chart 5a, base metals and textiles take third and fourth place, accounting for 7.41% and 5.56% respectively of all duties imposed. In terms of the overall EU-China antidumping trade dispute, industrial concentration is also one of the significant factors affecting the EU's antidumping actions regarding China. In fact, the antidumping measure is typically an imported duty which is paid by the (EU's) importer. Moreover, the research analysis shows that the



majority of the Chinese imports came from upstream industries<sup>4</sup> which can directly affect the benefit either from the downstream EU's industries and also final EU consumers. This might indirectly drive up the EU's market price as well as its cost of economic growth. From a long-term perspective, the historical facts have clearly proved that the high degree of mutual complementarities and mutual dependence make EU and China unable to sustain a high rate of economic growth without each other's support.

## The empirical research results and conclusion

After the Second World War, due to the tendency toward globalization, a worldwide division of labor inevitably occurred between the developed and developing countries. The present world competition situation implies that global trade liberalization might arouse regional trade friction. In practice, the reasons for adopting an antidumping policy might be more varied and much more complex than what we would expect. Economically, the comparative advantage of Chinese production is abundant human resources and this has contributed to making the structure of export-oriented production prone to labor intensive. The majority of Chinese exports are half-processed and raw material products which are in great demand in the EU and world markets. Most of them are concerned with daily commodities and usually the market demands of these products are inelastic. Because of the lower technical barrier for entry and inelastic characteristics, the majority of world manufacturers compete in very narrow product categories. This has made the global trade competition more severe and has made it easier to provoke an antidumping petition filing from the imported country. The analysis above has empirically proved that the EU's antidumping actions against China followed the world antidumping pattern by focusing on labor-intensive and resource-intensive industrial products. The trade liberalization could partly affect the EU's antidumping actions on Chinese exports, and the higher degree of industrial concentricity also becomes a motive to drive up the EU's antidumping petition filings against China.

Though world trade liberalization might partly affect the EU's antidumping actions against China, it still positively contributes to the EU and China's bilateral trade development in the long term. China's historical economic opening reform has evidently proved that trade liberalization and integration into the world economic production chain are the most effective ways to encourage high economic growth. Many contemporary studies show that the reasons for the adoption of antidumping action are varied. The experience of China's WTO accession has proved the classical international theory is sound and correct. The historical facts have already proved that the gains of trade liberalization are much higher than the losses. The present EU and China antidumping trade dispute could be solved by increasing bilateral dialogues and the EU and China bilateral trade partnership would continue to improve.

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## Notes

<sup>1</sup> WTO's Anti-Dumping Agreement (ADA) is the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994. It allows countries to impose anti-dumping duties to protect their producers from damages caused by dumping imports. It includes rules for conducting anti-dumping investigations and applying anti-dumping measures.

<sup>2</sup> The research period covers 1995 to 2011, as the WTO was formally established in 1995 and the WTO Antidumping Agreement (ADA) is subordinate to Implementation of Article VI of the General Agreement on Tariffs and Trade 1994. The research has made a comparative analysis by dividing the research years into 1995-2001 and 2002-2011 as China formally became the full member of WTO by the end of 2001.

<sup>3</sup> The investigation effect refers to the phenomenon that during the initial investigation period, the information of the antidumping investigation will significantly affect the trading behavior of both the exporting producer and the domestic importer (buyer) as they may reduce production, withdraw the trade contract or divert to other markets.

<sup>4</sup> It highly concentrated on half-process raw material industries and labor-intensive industries.

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