

# THE CONTINUED DUMPING AND SUBSIDY UNSETTLEMENT ACT: AN ECONOMIC ANALYSIS

Vasiliki Mavroukaki\* and Philip G. Gatzert†

Under the Continued Dumping and Subsidy Unsettlement Act (CDSUA)

of 1980, 1986, and 1988.

we examine the economic effects

of the CDSUA for the case in which the “50 percent

rule” is in effect. This paper compares the results of the CDSUA with the results of the 1980, 1986, and 1988 Acts.

Our results show that the CDSUA is more effective than the 1980, 1986, and 1988 Acts in reducing the dumping margin.

However, the CDSUA is less effective than the 1980, 1986, and 1988 Acts in reducing the subsidy margin.

Finally, we find that the CDSUA is more effective than the 1980, 1986, and 1988 Acts in reducing the total margin.

Our results are based on a partial equilibrium model of the U.S. market for a homogeneous good.

The model is solved for the steady state and the dynamic equilibrium. The results are presented in the following sections.

The paper is organized as follows. Section 2 describes the CDSUA. Section 3 presents the partial equilibrium model.

Section 4 solves the model for the steady state and the dynamic equilibrium. Section 5 presents the results.

Section 6 concludes. Appendix A provides the mathematical derivations. Appendix B provides the data sources.

Appendix C provides the parameter values. Appendix D provides the simulation results.

Appendix E provides the sensitivity analysis. Appendix F provides the policy implications.

Appendix G provides the references. Appendix H provides the authors’ contact information.

Appendix I provides the authors’ acknowledgments. Appendix J provides the authors’ disclosures.

Appendix K provides the authors’ declarations. Appendix L provides the authors’ statements.

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\*Corresponding author. E-mail: mavroukaki@su.edu

†Department of Economics, Kansas State University, Manhattan, KS 66506, USA. E-mail: gatzert@ksu.edu.

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International markets and anti-dumping policy as an instrument for restricting imports.



Figure 1. The economic effects of the CDSUA. (a) Steady state. (b) Dynamic equilibrium.



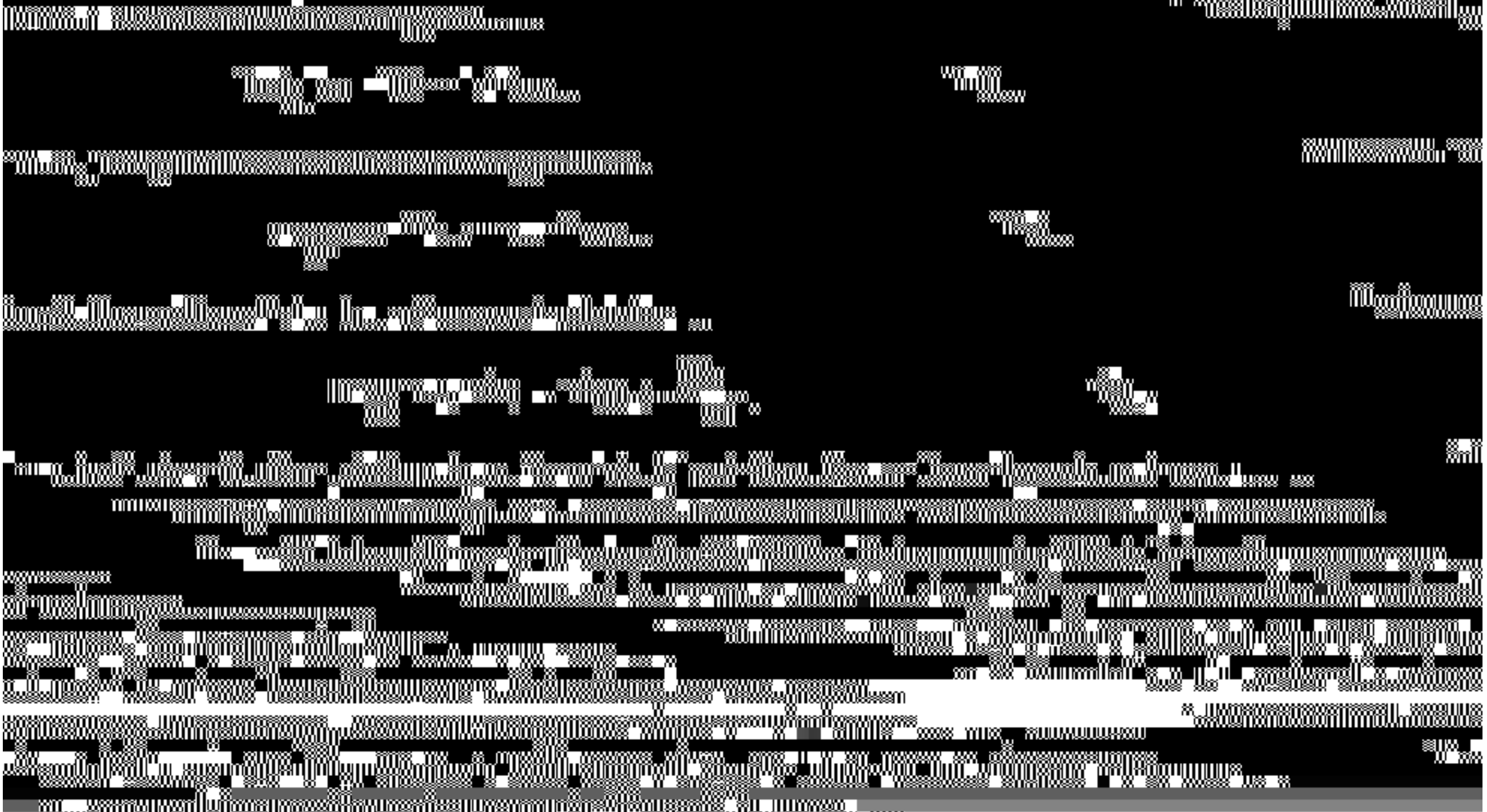
“War resolved by reducing their own output.” A reduction in  $Y$  is a shift to the left of the  $Y = Y^e$  curve.



own countries, then  $q_2^*$  represents the unit value of exports of each foreign firm in the U.S. market. Inverse market share for the domestic firm is represented by  $\gamma = (Q_1 + Q_2)/Q_1$ , where  $Q_1 = \sum_{i=1}^n q_1^i$  and  $Q_2 = \sum_{i=1}^n q_2^i$ . We assume that

... firms are sufficient to give them significant advantages based on the firms' ...

we set up the model under two regimes. One is that the government keeps all the proceeds to home firms. As such, under regime



... on the ...











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∴  $\frac{\partial S}{\partial \tau} > 0$  and  $\frac{\partial S}{\partial \tau} > 0$

∴  $\frac{\partial S}{\partial \tau} > 0$  and  $\frac{\partial S}{\partial \tau} > 0$

∴  $\frac{\partial S}{\partial \tau} > 0$  and  $\frac{\partial S}{\partial \tau} > 0$

∴ the government's optimal

∴ government keeps the tariff revenue and then we consider the

∴ the government's optimal policy is to set the tariff rate  $\tau$  as

$$S = \frac{1}{\alpha} \left[ \frac{(1-\alpha)(1-\alpha)}{\alpha} \frac{(1-\alpha)(1-\alpha)}{\alpha} \right] \quad (20)$$

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∴ the government's optimal policy is to set the tariff rate  $\tau$  as

$$S = \frac{1}{\alpha} \left[ \frac{(1-\alpha)(1-\alpha)}{\alpha} \frac{(1-\alpha)(1-\alpha)}{\alpha} \right] \quad (21)$$

∴

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∴ the government's optimal policy is to set the tariff rate  $\tau$  as

$$S = \frac{1}{\alpha} \left[ \frac{(1-\alpha)(1-\alpha)}{\alpha} \frac{(1-\alpha)(1-\alpha)}{\alpha} \right] \quad (22)$$

∴ the government's optimal policy is to set the tariff rate  $\tau$  as

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As a result, since  $L \in \mathbb{R}^n$ , then the sign of  $L^T \cdot (v_2 - v_1) / \|v_2 - v_1\|$  only depends on the sign of  $v$ . Thus,  $U \leq 0$

and the output of the system is continuous.

6. Now we consider the output of the system  $U$ .

Since  $v$  is continuous, it is easy to see that  $U \geq 0$  if  $v > 0$  and  $U \leq 0$  if  $v < 0$ .



7. This we can see from the

$$(v_2 - v_1)^T (v_2 + v_1) = \|v_2 - v_1\|^2 \geq 0 \implies (v_2 - v_1)^T (v_2 + v_1) \geq 0 \implies (v_2 - v_1)^T (v_2 + v_1) \geq 0$$

Multiplying both sides of the inequality by  $v_2 - v_1$  yields

\*

8. Now we consider the output of the system  $U$ . Since  $v$  is continuous, it is easy to see that  $U \geq 0$  if  $v > 0$  and  $U \leq 0$  if  $v < 0$ . We would still have



Home firm's market share is given by

$$s_1 = \frac{M_1(\alpha - c_1)}{M_1 + M_2 + M_1 M_2} + \frac{M_1}{M_1 + M_2 + M_1 M_2} \left[ \frac{M_2(\alpha - c_1) + t - c_1}{M_1 + M_2 + M_1 M_2} \right]$$

$$= M_1 \left[ \frac{M_2(\alpha - c_1) + t - c_1}{M_1 + M_2 + M_1 M_2} \right]$$

Total welfare is  $W = S + (P - c_1)Q_1 + P_2Q_2$ .

$$W = \frac{1}{2} \left[ \frac{M_1(\alpha - c_1) + M_2(\alpha - c_1)}{M_1 + M_2 + M_1 M_2} \right] + \frac{M_1}{M_1 + M_2 + M_1 M_2} \left[ \frac{M_2(\alpha - c_1) + t - c_1}{M_1 + M_2 + M_1 M_2} \right]$$

$$+ \frac{P_2 Q_2}{M_1 + M_2 + M_1 M_2}$$

Optimal tariff is obtained by computing  $\frac{dW}{dt}$ , setting it equal to 0, and solving for  $t$ .

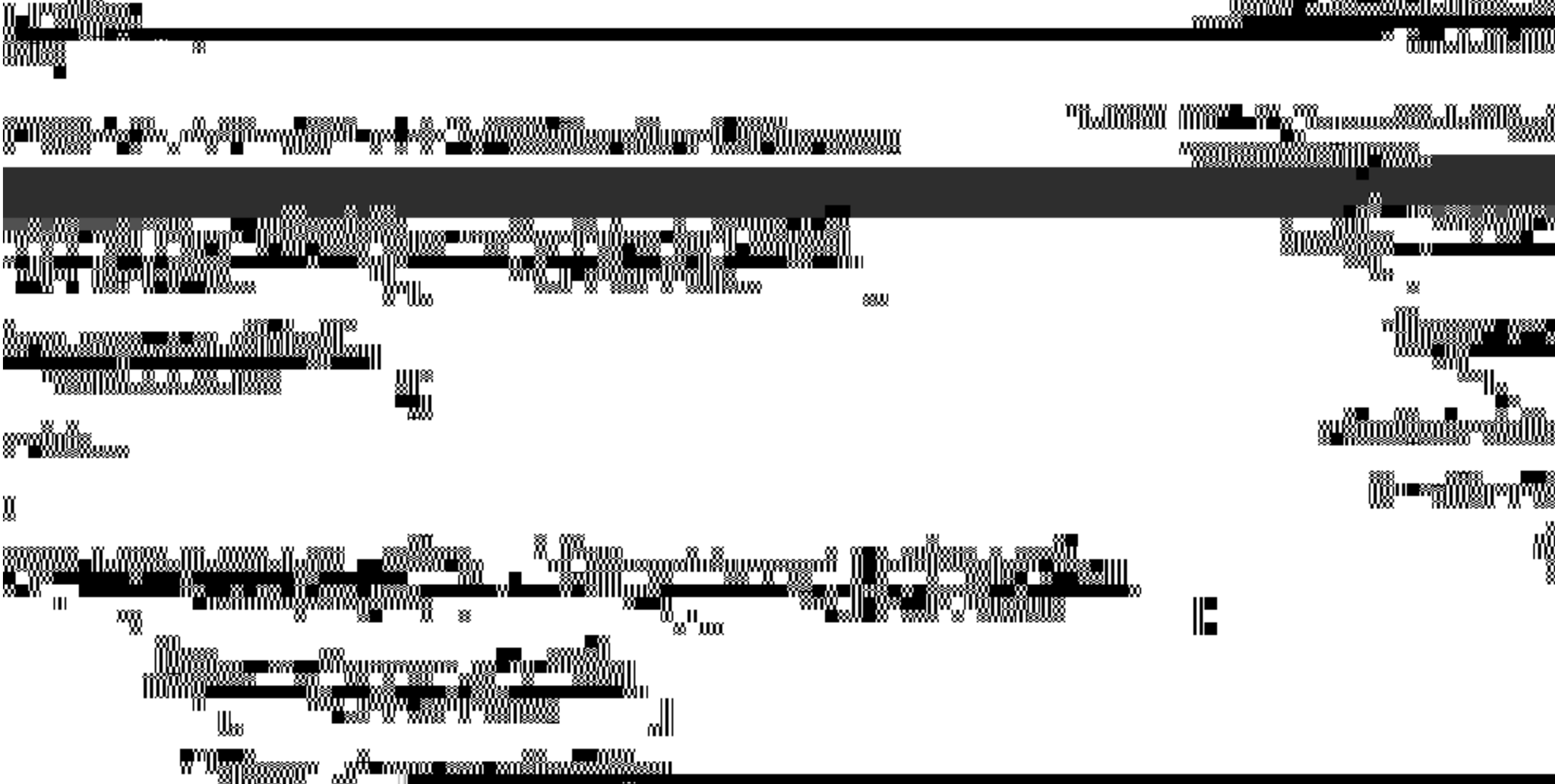
$$t = \frac{(\alpha - c_2)(M_1^2 M_2 + M_2^2 M_1) + (c_1 - c_2)M_1 M_2}{2M_1 M_2 + 4M_1 M_2 + M_1^2 + 2M_1^2 M_2}$$

### A.7.2. Regime 2:

equilibrium outputs are

Total output is

$$Q = \frac{M_1(\alpha - c_1) + c_1 - c_2 - t}{M_1 + M_2 + M_1 M_2} + \frac{M_2(\alpha - c_1) + t - c_1}{M_1 + M_2 + M_1 M_2}$$



Total welfare is

$$W = \frac{1}{2} \left[ \frac{M_1(\alpha - c_1) + M_2(\alpha - c_1)}{M_1 + M_2 + M_1 M_2} \right] + \frac{M_1}{M_1 + M_2 + M_1 M_2} \left[ \frac{M_2(\alpha - c_1) + t - c_1}{M_1 + M_2 + M_1 M_2} \right] + \frac{P_2 Q_2}{M_1 + M_2 + M_1 M_2}$$

