Antidumping (AD) and countervailing duty (CVD) procedures are governed by specific rules requiring both injury (by reason of imports) and dumping/subsidies, and thus might be expected to be less susceptible to pressures for protection arising from cyclical movements in the domestic macroeconomy. This paper investigates whether there is a connection between the state of domestic macroeconomic activity and pressures for protection under AD/CVD. Not unlike other forms of protection, the evidence suggests that pressures for protection under AD/CVD have advanced during periods of macroeconomic weakness and receded during periods of macroeconomic strength. [JEL F1, F4]

Over the last two decades, new trade restrictions have been introduced in many industrial countries, principally through administrative channels. These include antidumping duties (AD), countervailing duties (CVD), voluntary export restraint agreements, and so-called safeguard

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This development reflects the constraints placed on the use of quantitative restrictions and tariff barriers under General Agreement on
Tariffs and Trade (GATT) (now World Trade Organization (WTO)) rules. Under legislated protection, it has been well established that protection-
ist pressures tend to build under macroeconomic downturns and to recede
with macroeconomic strength. Antidumping and countervail procedures
are governed by specific rules requiring both injury (by reason of imports)
and dumping/subsidies and thus might be expected to be less susceptible
to pressures for protection from foreign competition arising from cyclical
movements in a country’s economy. The empirical evidence reported in
this paper, however, indicates that since the Tokyo Round of multilateral
trade talks, protectionist pressures under AD and CVD in the United
States have ebbed and flowed with the strength of the macroeconomy.

I. Use of Administered Trade Actions

In a frequently cited study, Takacs (1981) investigated the extent to
which pressures for administered protection in the United States, as mea-
sured by the number of yearly petitions for escape clause (also called safe-
guard) protection, responded to developments in the macroeconomic cycle.
Her empirical results indicated that the pressure for administered protection
was inversely related to the level of macroeconomic activity (as measured
by the unemployment rate or the rate of industrial capacity utilization).
Takacs’s focus on escape clause protection was not apparently determined
a priori, as she observed that “preliminary empirical tests using antidump-
ing and countervailing duty cases in addition to escape clause cases failed
to provide significant results” (Takacs, 1981, p. 688). Coughlin, Terza,
and Khalifah (1989) corroborated the results of Takacs’s study, using a

1 The “escape clause” or “safeguard” procedures implement Article XIX of the
General Agreement on Tariffs and Trade (GATT). Broadly, Article XIX allows
member countries to impose trade measures that otherwise would be inconsistent
with their GATT (now World Trade Organization) obligations, in the event that a
domestic industry is seriously injured by reason of imports.

2 See, for example, Bohara and Kaempfer (1991), who evaluated the sensitivity
of tariff protection in the United States over the period 1890–1970. They found
strong evidence of tariff endogeneity stemming from developments in real GNP and
unemployment.

3 In a follow-up study to Takacs (1981), Feigenbaum, Ortiz, and Willett (1985)
evaluated the sensitivity of Takacs’s results to her econometric specification. They
concluded that “[w]hile the empirical results continue to support the view that cycli-
cal conditions and international trade position significantly influence protectionist
pressures, they also indicate that estimates of the magnitude of the impact of these
factors are quite sensitive to econometric specification” (Feigenbaum, Ortiz, and
Willett, 1985, p. 176).
number of alternative model specifications. Salvatore (1987), using a simultaneous equations model, found that macroeconomic activity, as measured by the level of real GNP, affected escape clause petitions, but he did not find a significant relationship when alternative indicators of economic activity (the unemployment rate and capacity utilization) were used. Magee and Young (1987) examined the proportion of yearly antidumping petitions that received an affirmative ruling during the years 1954–81 and found evidence that antidumping protection was more likely to be granted following a petition during macroeconomic downturns.

Under the Trade Agreements Act of 1979 (which implemented the results of the Tokyo Round of multilateral trade negotiations), a number of significant changes were introduced affecting the way AD/CVD cases are handled in the United States. Subsequently, antidumping and countervail petitions and actions increased significantly in the 1980s. At the same time, safeguard petitions and actions waned, suggesting a high degree of substitutability between AD/CVD and safeguards. These developments give no reason to expect that the absence of a relationship between antidumping and countervailing duty cases—which Takacs reported based on earlier data—would also describe the post–Tokyo Round period.

Unlike escape clause protection, antidumping and countervail procedures are intended to target so-called unfair trading practices: either “dumping” or subsidization. Thus, in addition to the injury criterion, which is also necessary to obtain protection under the escape clause, antidumping and countervail also require a demonstration of dumping and subsidization, respectively. As suggested by Finger and Murray (1993, p. 241 and p. 247), however, when AD/CVD petitions fail to result in a final duty in the United States, it is generally because the injury test is negative. This suggests that, given sufficient flexibility in the way in which dumping margins and subsidies are calculated, AD/CVD cases are roughly comparable to safeguard

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4 Prusa (1996, pp. 3–4) identified a number of these changes, including the transfer of investigating authority from the Department of Treasury to the Department of Commerce, the use of “best information available,” and reduced time limits on cases.

5 Between 1958 and 1973, about 20–25 petitions were filed per year, and the rejection rate was very high, with only 2–3 cases per year resulting in duties. After 1979, AD petitions rose to about 45–50 cases per year, and the rejection rate dropped to about 50 percent (Prusa, 1996, pp. 3–4).

6 For example, Hansen and Prusa (1995) observed that from 1958 through 1979 there were 5.9 safeguard cases on average each year; from 1980 through 1991, the yearly average was just 1.7 cases. Hansen and Prusa concluded that protection under AD/CVD had become more popular because it offered relief from foreign competition comparable to safeguards and easier to obtain.

7 A finding that the domestic industry is materially injured or threatened with material injury by reason of imports is a necessary condition for obtaining both preliminary and final AD/CVD duties.
actions, in the sense that the outcome hinges on the injury decision. In such circumstances, the relationship between macroeconomic fluctuations and pressures for escape clause protection that Takacs identified could be expected to carry over to antidumping and countervail petitions.

II. Empirical Results

The measure of protectionist pressures under AD/CVD used in the analysis is the yearly number of petitions for protection as reported by the Office of the United States Trade Representative (USTR). Because of the high degree of substitutability between antidumping and countervail procedures, the sum of all AD and CVD petitions is treated as the basic dependent variable. The analysis focuses on “petitions” rather than final “actions” because the latter tend to understate underlying protectionist effects for several reasons. First, during the post-Tokyo Round period, AD/CVD cases were frequently withdrawn because settlements were reached whereby foreign producers would “voluntarily” restrain exports. Second, extensive literature on the trade-inhibiting effects of AD/CVD threats strongly suggests that petitions for such protection can be used strategically to influence the decisions of foreign exporters. No duty need be imposed and no formal voluntary export restraint agreement need be negotiated to induce trade-inhibiting effects. Third, the lag between filing a petition and its ultimate disposition is generally long (typically more than a year) and variable.

Two indicators of macroeconomic activity are considered in the analysis: the civilian unemployment rate and the rate of industrial capacity utilization. Many of the regression results reported below also control for exchange rate developments by including measures of the real effective exchange rate of...
Table 1. *Petitions for Antidumping and Countervailing Duties in the United States*  

<table>
<thead>
<tr>
<th>Year</th>
<th>Antidumping</th>
<th>Countervail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>37</td>
<td>11</td>
</tr>
<tr>
<td>1981</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>1982</td>
<td>71</td>
<td>124</td>
</tr>
<tr>
<td>1983</td>
<td>45</td>
<td>31</td>
</tr>
<tr>
<td>1984</td>
<td>74</td>
<td>53</td>
</tr>
<tr>
<td>1985</td>
<td>62</td>
<td>41</td>
</tr>
<tr>
<td>1986</td>
<td>65</td>
<td>28</td>
</tr>
<tr>
<td>1987</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>1988</td>
<td>42</td>
<td>13</td>
</tr>
<tr>
<td>1989</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>1990</td>
<td>28</td>
<td>8</td>
</tr>
<tr>
<td>1991</td>
<td>67</td>
<td>14</td>
</tr>
<tr>
<td>1992</td>
<td>105</td>
<td>42</td>
</tr>
<tr>
<td>1993</td>
<td>42</td>
<td>3</td>
</tr>
<tr>
<td>1994</td>
<td>41</td>
<td>6</td>
</tr>
<tr>
<td>1995</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>752</strong></td>
<td><strong>407</strong></td>
</tr>
</tbody>
</table>

*All observations were reported in recent issues of the United States Trade Representative’s *Annual Report of the President of the United States on the Trade Agreements Program* except AD petitions in 1980 and 1983. The number of AD investigations initiated in 1980 was obtained from the *Annual Report of the U.S. International Trade Commission*, and a count of AD petitions for 1983 is contained in the Department of Commerce, Import Administration, database on AD/CVD petitions maintained on the World Wide Web.

There is a data discrepancy for the year 1988 in the published *Annual Reports of the President*. Specifically, both the 1989 and 1990 *Annual Reports* (pages 76 and 92, respectively) indicated that there were 42 AD and 13 CVD petitions in 1988—the numbers used in the data set. Beginning with the 1991 *Annual Report*, however, these numbers changed without explanation to 78 AD and 24 CVD petitions. Because the number of petitions should be known with certainty at the end of each year and because the originally reported numbers are consistent with the Department of Commerce’s WEB database on AD/CVD petitions, it was decided to use the numbers as originally reported in the *Annual Report of the President*.

The effect of real effective exchange rate movements on AD/CVD petitions was deemed particularly relevant in view of an opinion expressed by the USTR that the surge in AD cases from 1981 to 1985 was due in large part to “the dollar’s high value.” To control for effects that might be induced by aggregate trade developments, the role of import penetration is also investigated using the ratio of imports to GDP:

12 See, for example, United States Trade Representative (1992, p. 79), which reported that “from 1981 through 1985, the dollar’s high value and major structural adjustments in international steel trade generated record numbers of antidumping cases.”
alternatively, the merchandise trade balance relative to GDP is included. Also, because there may be a correlation between macroeconomic downturns in the United States and downturns among trading partners, such external factors could induce petitions for reasons unrelated to domestic macroeconomic conditions. Thus, results are also reported controlling for the macroeconomic conditions in major trading partner countries (as measured by their unemployment rates).13

Augmented Dickey-Fuller tests indicated that the presence of a unit root could not be rejected for any of the variables considered, but these tests also suggested all series were stationary in first differences.14 Accordingly, all equations were estimated in first differences. The basic equation (estimated in row 1 of Table 2) posits a linear relationship between domestic macroeconomic activity and pressures for protection under antidumping and countervail, with causality running from the general state of the economy to protectionist pressures. Lagged petitions are included as an explanatory variable in order to capture what might be described as a “depletion effect.” Specifically, a relatively high number of petitions in one year would, other things being equal, partially deplete the stock of potential petitions in the following year. This is because the stock of petitioners is finite and because many of the previous year’s petitions will remain under investigation during the following year.

Over the period 1980–95, the estimated regressions (Table 2) indicate that the number of AD/CVD petitions responded, in a statistically significant way, to the state of domestic macroeconomic activity. Other things being equal, fewer antidumping and countervailing duty cases were initiated when the unemployment rate was low and the rate of capacity utilization was high.15 For example, the first equation in Table 2 indicates that a 1 percentage point increase in the unemployment rate would result in an additional 54 AD/CVD petitions in the first year (in an expected-value sense), with a steady state increase of 31 additional petitions. This is clearly not an economically trivial amount, particularly because it likely also implies a heightened threat effect.

The estimated coefficient for the real effective exchange rate is always positive, as expected, but this effect is not statistically significant at the

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13 The sample included the average yearly unemployment rates for the seven largest U.S. trading partners in terms of U.S. imports for the year 1990. These countries were Japan, Canada, Germany, Mexico, Taiwan Province of China, Korea, and the United Kingdom. Of these countries, only Mexico was not among the top ten countries facing U.S. antidumping actions during 1980–93 (United States International Trade Commission, 1995, figures 3–5, pp. 3–5).

14 These results were reported in Leidy (1996).

15 Because of the high degree of collinearity between the unemployment rate and capacity utilization, the effects of these variables were evaluated separately.
Table 2. Dependent Variable: Total AD and CVD Petitions Per Year*
(Annual observations, 1980–95)

<table>
<thead>
<tr>
<th>U.S. unemployment rate</th>
<th>Capacity utilization</th>
<th>REER</th>
<th>Import penetration</th>
<th>Merchandise trade balance (percent of GDP)</th>
<th>Petitions (lagged)</th>
<th>Unemployment rate trading partner</th>
<th>Unemployment rate industrial country</th>
<th>Adjusted $R^2$</th>
<th>BG^d</th>
</tr>
</thead>
<tbody>
<tr>
<td>54.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.76</td>
<td></td>
<td></td>
<td>0.72</td>
<td>0.15</td>
</tr>
<tr>
<td>(4.84)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-4.93)**</td>
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<td></td>
</tr>
<tr>
<td>51.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.81</td>
<td></td>
<td></td>
<td>0.79</td>
<td>0.08</td>
</tr>
<tr>
<td>(5.22)**</td>
<td></td>
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<td></td>
<td></td>
<td>(-5.84)**</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>-15.8</td>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
<td>-0.69</td>
<td></td>
<td></td>
<td>0.51</td>
<td>0.02</td>
</tr>
<tr>
<td>(-2.90)*</td>
<td>(2.04)</td>
<td></td>
<td></td>
<td></td>
<td>(-3.38)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-15.2</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td>-0.74</td>
<td></td>
<td></td>
<td>0.58</td>
<td>0.65</td>
</tr>
<tr>
<td>(-3.00)*</td>
<td>(1.68)</td>
<td></td>
<td></td>
<td></td>
<td>(-3.88)**</td>
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<td></td>
</tr>
<tr>
<td>47.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.77</td>
<td></td>
<td></td>
<td>0.70</td>
<td>0.02</td>
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<tr>
<td>(2.59)*</td>
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<td></td>
<td></td>
<td></td>
<td>(-4.79)**</td>
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<tr>
<td>58.4</td>
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<td></td>
<td></td>
<td></td>
<td>-0.80</td>
<td></td>
<td></td>
<td>0.72</td>
<td>0.01</td>
</tr>
<tr>
<td>(4.81)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-4.98)**</td>
<td></td>
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<td></td>
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<tr>
<td>38.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.80</td>
<td>33.3</td>
<td></td>
<td>0.74</td>
<td>—</td>
</tr>
<tr>
<td>(2.28)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-5.19)**</td>
<td>(1.23)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.81</td>
<td>5.9</td>
<td></td>
<td>0.76</td>
<td>0.07</td>
</tr>
<tr>
<td>(2.78)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-5.54)**</td>
<td>(0.19)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.79</td>
<td>23.7</td>
<td></td>
<td>0.72</td>
<td>0.01</td>
</tr>
<tr>
<td>(4.00)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-5.03)**</td>
<td>(0.99)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*OLS regressions performed on first differences; a constant term was included. In no case was the constant term significantly different from zero. The t-statistics are in parentheses below the estimated coefficients. Coefficients significantly different from zero at the 1 percent level are indicated by (**), and at the 5 percent level by (*), using a two-tailed test.

b The real effective exchange rate (REER) series is based on consumer prices, rather than unit labor costs.

c Excluding the United States.

d The Breusch-Godfrey (BG) statistic tests for the presence of autocorrelation when there is a lagged dependent variable in the regression equation. The tests performed used one lagged residual. The BG test statistic with one lagged residual is asymptotically distributed as chi-squared with one degree of freedom. In none of the cases examined is the null hypothesis (H0: errors are serially uncorrelated) rejected.
5 percent level in any of the regressions examined in Table 2. While a real effective appreciation (depreciation) of the dollar appears to contribute to a rise (fall) in petitions, the effect of changes in macroeconomic activity persists when this effect is taken into account. The statistical significance of the real effective exchange rate is revisited in Table 3 and discussed below, using a sample that is purged of the June 1992 AD/CVD petitions linked to the end of the wide-ranging voluntary export restraint agreements in steel.

The alternative indicator of overall macroeconomic activity (capacity utilization) yields essentially similar results. In the basic equation (Table 2, regression 3), a 1 percentage point increase in capacity utilization is associated with about 16 fewer AD/CVD petitions in the first year, other things being equal, and a steady state decline of about 9 petitions.

When the ratio of imports to GDP (import penetration in percent change, exclusive of military goods) is included in the standard model, the data continue to suggest a significant role for the unemployment rate in determining the number of AD/CVD petitions, despite a high degree of collinearity between import penetration and the unemployment rate. High (low) import-to-GDP ratios are strongly associated with high (low) levels of domestic aggregate economic activity. The estimated coefficient for import penetration is negative, indicating that higher levels of import penetration are associated with fewer AD/CVD petitions, but the estimated effect is not statistically significant. The negative sign is the opposite of what would be expected if domestic macroeconomic downturns tended to be associated with across-the-board surges in actual dumped and subsidized imports.

Because macroeconomic downturns (upturns) at home may be associated with downturns (upturns) in trading partner countries and because downturns could be associated with attempts to increase foreign market share through "dumping" or new subsidies, or both, several reported regressions attempt to control for the effects of macroeconomic conditions in trading partner economies. When either a trade-weighted average foreign unemployment rate or the average unemployment rate in industrial countries excluding the United States was included as a regressor (Tables 2 and 3, rows 7–9), the foreign indicator was not statistically significant. The

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16 The correlation coefficient between the first difference of the unemployment rate and the first difference of the ratio of imports to GDP is minus 0.80.

17 This outcome should not lead one to conclude that import penetration at the sectoral level is unimportant to the number of AD/CVD petitions. Indeed, using cross-section data, Finger (1981) found that import penetration was positively and significantly related to the number of AD/CVD cases.
Table 3. Dependent Variable: Total AD and CVD Petitions Per Year, Excluding June 1992 Steel Petitions\textsuperscript{a}
(Annual observations, 1980–95)

<table>
<thead>
<tr>
<th>U.S. unemployment rate</th>
<th>Capacity utilization</th>
<th>REER\textsuperscript{b}</th>
<th>Import penetration</th>
<th>Merchandise trade balance (percent of GDP)</th>
<th>Petitions (lagged)</th>
<th>Unemployment rate</th>
<th>Trading partner</th>
<th>Industrial country\textsuperscript{c}</th>
<th>Adjusted $R^2$</th>
<th>BG\textsuperscript{d}</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.3</td>
<td>(5.66)**</td>
<td></td>
<td></td>
<td>-0.84</td>
<td>(-6.26)**</td>
<td>0.80</td>
<td>2.52</td>
<td>0.10</td>
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</tr>
<tr>
<td>46.6</td>
<td>(8.56)**</td>
<td></td>
<td></td>
<td>-0.89</td>
<td>(-10.57)**</td>
<td>0.92</td>
<td>0.14</td>
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</tr>
<tr>
<td>-15.6</td>
<td>(-3.84)**</td>
<td></td>
<td></td>
<td>-0.75</td>
<td>(-4.45)**</td>
<td>0.66</td>
<td>2.47</td>
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</tr>
<tr>
<td>-14.9</td>
<td>(2.97)*</td>
<td></td>
<td></td>
<td>-0.81</td>
<td>(-6.22)**</td>
<td>0.80</td>
<td>0.54</td>
<td></td>
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</tr>
<tr>
<td>37.3</td>
<td>(2.73)*</td>
<td>-32.1</td>
<td></td>
<td>-0.86</td>
<td>(-6.43)**</td>
<td>0.80</td>
<td>2.50</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>53.8</td>
<td>(5.86)**</td>
<td>-21.3</td>
<td></td>
<td>-0.89</td>
<td>(-6.54)**</td>
<td>0.81</td>
<td>0.14</td>
<td></td>
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</tr>
<tr>
<td>32.6</td>
<td>(2.68)*</td>
<td></td>
<td></td>
<td>-0.87</td>
<td>(1.81)</td>
<td>0.91</td>
<td>0.09</td>
<td></td>
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</tr>
<tr>
<td>45.9</td>
<td>(4.75)**</td>
<td>2.5</td>
<td></td>
<td>-0.89</td>
<td>(0.19)</td>
<td>0.83</td>
<td>0.14</td>
<td></td>
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</tr>
<tr>
<td>44.6</td>
<td>(4.80)**</td>
<td></td>
<td></td>
<td>-0.87</td>
<td>(1.24)</td>
<td>0.81</td>
<td>1.17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} OLS regressions performed on first differences; a constant term was included. In no case was the constant term significantly different from zero. The t-statistics are in parentheses below the estimated coefficients. Coefficients significantly different from zero at the 1 percent level are indicated by (**), and at the 5 percent level by (*), using a two-tailed test.

\textsuperscript{b} The real effective exchange rate (REER) series is based on consumer prices, rather than unit labor costs.

\textsuperscript{c} Excluding the United States.

\textsuperscript{d} The Breusch-Godfrey (BG) statistic tests for the presence of autocorrelation when there is a lagged dependent variable in the regression equation. The tests performed used one lagged residual. The BG test statistic with one lagged residual is asymptotically distributed as chi-squared with one degree of freedom. In none of the cases examined is the null hypothesis ($H_0$: errors are serially uncorrelated) rejected.
coefficient on the U.S. unemployment rate, however, remained significant at the 5 percent level.

With respect to the depletion effect, it is clear that the number of petitions in the previous year significantly affects the expected value of petitions in the current year. This result probably reflects not only the depletion of a finite stock of petitioners but also the “safety valve” nature of AD/CVD petitions. As pressures for protection build, those pressures are vented by AD/CVD petitions, which, in turn, implies reduced pressures in the subsequent period. Conversely, if little protectionist pressure was vented in the previous period, it is more likely than otherwise to build and to be released in the current period.

Events in world steel trade might appear to raise a qualifying note for interpreting these empirical results. The two peak episodes in AD/CVD petitioning activity occurred in 1982 and 1992. Both years had a particularly high number of petitions from producers of various steel products. These two years also corresponded to local peaks in the U.S. average yearly unemployment rate. The surge in steel-related antidumping and countervail petitions in 1992, in particular, is largely attributable to the expiration at end-March 1992 of the far-reaching multilateral voluntary export restraint agreements in steel, although the macroeconomic downturn almost certainly added impetus to these petitions. Thus, it is unclear to what extent specific developments in steel trade might be distorting the estimated effects over all AD/CVD petitions.

In order to clarify the extent to which the end of the voluntary export restraint agreements in steel might be unduly affecting the regression results, the regression equations reported in Table 2 were reestimated using a data set that excluded every steel-related AD/CVD petition that occurred in the month of June of 1992—the month during which steel AD/CVD petitions surged following the expiration of the voluntary export restraint agreements. These results are presented in Table 3.

Two aspects of the results reported in Table 3 are noteworthy. First, qualitatively the influence of the macroeconomic cycle on total AD/CVD petitions remains unchanged. Indeed, for each of the regressions reported in Table 3, the estimated relationship between the macroeconomic cycle and AD/CVD petitions is strengthened (as measured by t-statistics and adjusted $R^2$ statistics). Second, the influence of the real effective exchange rate is now more firmly supported by the data. Thus, the essential results are clearly robust to the elimination of the special circumstances surrounding the end of the steel-related voluntary export restraint agreements in 1992.

18 There were 61 steel-related AD/CVD petitions filed in June 1992.
The first equation in Table 3 suggests that a 1 percentage point increase in the unemployment rate would result in an additional 49 AD/CVD petitions in the first year (in an expected-value sense), with a steady state increase of 27 additional petitions. After controlling for changes in the real effective exchange rate, a 1 percentage point increase in the unemployment rate would result in 47 AD/CVD petitions in the first year, with a steady state increase of 25 additional petitions.

III. Concluding Comments

The evidence presented in this paper suggests that pressures for protection in the United States under AD/CVD since the Tokyo Round have heightened during macroeconomic downturns and receded with higher levels of resource utilization. This relationship is robust to a variety of specifications of the basic model. When the data are purged of the happenstance timing of the end of the steel-related voluntary export restraint agreements and the 1992 macroeconomic downturn, the data continue to offer evidence of cyclically induced, AD/CVD-based protectionist pressures.

It is, of course, impossible to say at this stage whether the implementation of Uruguay Round reforms in January 1995 might alter the cyclical relationship identified here. However, the year 1995 was by no means an outlier; the fitted value using the basic equation from Table 2 shows a decline of 21 AD/CVD petitions in 1995 compared to an actual decline of 29, and the residual for 1995 is among the smallest in the sample. Moreover, others have concluded that Uruguay Round reforms applicable to antidumping and countervailing duty procedures required little substantive change.19

It is important to note that nothing in this analysis suggests that the U.S. application of AD/CVD measures is, or has been, inconsistent with GATT/WTO rules. Rather, the implication is that, despite conformity with multilateral rules, protectionist pressures under the rules governing AD/CVD ebb and flow with the state of the macroeconomy. It is quite possible that similar results would be found if this type of analysis were extended to other countries that, like the United States, have undertaken extensive multilateral liberalization commitments and, thus, have reoriented protection-seeking activities away from legislative and toward administrative channels.

REFERENCES


