Dumping in A Transition Economy and Anti-Dumping Policy

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Abstract

In this paper we try to analyze the relationships among privatization, dumping and anti-dumping policies in an international mixed duopoly that is composed of a partially privatized public firm in domestic country and a private firm in a foreign country. While the domestic firm supplies good to two countries, the foreign firm sells the homogeneous good only in the foreign country. The domestic firm is a monopoly in the domestic market, but it forms duopoly with the foreign firm in the foreign market. Thus, we show that the domestic firm engages in dumping under optimal partial privatization and the foreign country have an incentive to impose an anti-dumping duty on the domestic firm. If it does so, the home firm might increase welfare, thereby leading to an increase in welfare worldwide.

Keywords: privatization; mixed duopoly; dumping; anti-dumping; optimal tariff
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