Don't Buy from Me Argentina: Politics, Economics, and Trade Liberalization in Argentina, 1992–2001*

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Recently, while opening their markets to international trade through tariff reduction, developing nations have been quietly adopting nontariff measures that impose new barriers on imports. This study contributes to a literature that assesses reactions to recent widespread economic reform, particularly in the developing world. While analysts have identified many determinants of the reform process, we are only beginning to assess the factors that shape its twists, turns, and even reversals. In particular, we do not yet have a clear understanding of the determinants of governments' treatment of different groups and actors in this process. This article examines these reactions to trade liberalization in Argentina, an important middle-income nation, by drawing upon the significant body of theoretical and empirical literature on trade policy in developed nations that demonstrates that both economic and political factors condition policy implementation. Utilizing a data set of nontariff trade disputes from 1992 to 2001, the analysis employs probit maximum likelihood techniques to assess the relationship between trade policy outputs and economic and political factors. The findings suggest that economic factors, including import flows, and political factors such as the breadth of representation appear to condition trade policy decisions in Argentina. The results also suggest that overall macroeconomic context affects policy outputs.

Firms and industries around the world have sought and received from their governments for hundreds of years various forms of protection for their goods from foreign competition. For many decades, the most common form of trade protection, and the largest barrier to the free flow of goods internationally, was the tariff. After World War II, a reasonable consensus emerged among many economists and policymakers that tariff barriers slow economic growth. The General Agreement on Tariffs and Trade (GATT) and subsequent trade negotiations helped to facilitate

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slow but steady tariff reduction, though more in industrialized nations. Trade policy change was slow in developing nations. It was not until later in the twentieth century when governments in the developing world—and amidst considerable pressure from powerful industrialized countries and international organizations—began to reduce tariffs widely. Serious and widespread trade liberalization in developing nations had finally commenced.

Yet, as their counterparts in developed nations had been doing for decades, many developing nations began to employ other means to impede trade. By the early 1990s, many governments had dramatically increased their use of nontariff barriers (NTBs), and particularly antidumping (AD) measures. Whereas scholars have identified many of the variables affecting nations' decisions to undertake economic reform, we are only beginning to investigate possible counterpoints—governments' decisions to impose barriers that slow or even reverse liberalization. Developing nations' recent nontariff trade policy decisions offer an excellent opportunity to examine this phenomenon.

These uneven reactions to liberalization raise important issues and questions. First, how does "post-liberalization" trade policy unfold? Second, are certain actors or groups receiving special post-liberalization trade policy treatment? If so, who are the beneficiaries and what are the politics and economics that affect these preferential arrangements? This article explores these questions through a systematic analysis of trade policy in the context of Argentina, a developing nation that was a notable economic reformer. I first discuss generally the rise of nontariff trade barriers, and then elaborate specifically the Argentine context. Next, I review the relevant literature and theory to situate the study theoretically, and include a detailed discussion of the study's working hypotheses. I proceed by outlining the data, model, and measures, and present the corresponding results. Finally, I draw some conclusions and suggest directions for future research.

Trade Liberalization and Nontariff Barriers

While the dramatic worldwide drop in tariffs has facilitated a freer flow of goods, evidence points to a dramatic increase in NTBs including AD and countervailing duties, phyto-sanitary regulations, and a handful of other less-common policies. Recent empirical research suggests that AD policies are the most distortive and that they likely affect nearly one-quarter of all imports worldwide, distorting billions of dollars in trade (e.g., Hindley and Messerlin, 1996; Neils, 2000).[1] Notably, use is growing both in the number of cases and the number of nations using AD to affect imports. This steady growth suggests that these policies are more than an ephemeral reaction to initial tariff reductions undertaken in economic reform programs.

The use of these statutes is growing more in developing nations than anywhere else. In 1985, the first year that developing nations applied AD measures, three nations implemented five such measures. By 2000, there were more than 40 developing nations using AD, and applying new measures at an average annual rate of more than 100. A widespread change in the implementation of "post-tariff" trade policymaking is occurring, and analysts are only beginning to explore this reaction to liberalization (for more general studies, see Geddes, 1994; Snyder, 1999, 2001). Whereas studies have examined NTBs in developed nations, there are few studies

that specifically examine the political economic factors that shape major changes or even reversals in trade policies in the developing world after the major shift toward tariff reductions, and even fewer studies that examine the crucial role of AD (exceptions include Aggarwal, 2004; Francois and Niels, 2005; Holden and Casale, 2002; Prusa, 2001).

In theory, AD law actually possesses significant potential utility in promoting distortion-free trade because it is designed expressly to allow nations to guard against unfair trading practices. The law seeks to prevent firms from "dumping"—selling goods in another country at below cost or domestic market prices of the exporter— by permitting nations to sanction offending firms with targeted duties. While these statutes are consistent with the World Trade Organization's (WTO) "free trade" goals, analysts have made the convincing case that industrialized countries' use of these laws has evolved into a form of "legalized protectionism" (Hindley and Messerlin, 1996). By taking advantage of the statute's ambiguity, nations use AD duties where no dumping is taking place, and scholars suggest that it is frequently politics that produces these questionable policy choices. Moreover, it is evident that developing countries are also aggressively using these statutes as a form of trade protection (Finger, Ng, and Wangchuk, 2000; Gallaway, Blonigen, and Flynn, 1999). This study aims to explore why nations resort to using nontariff policies in the reform era, and specifically the characteristics of the "winners" and "losers" of these cases, and/or whether particular circumstances produce predictable outcomes or policy outputs.

Antidumping Policy in Argentina

Because the forces that influence a nation's post-reform policymaking decisions are, at least in substantial part, national and subnational in nature—particularly domestic institutions and interest groups—it is necessary to identify an important context wherein we can observe and examine systematically these behaviors. Observers and economic policymakers from the international community enthusiastically heralded Argentina, particularly under the Menem presidential administration, as a vigorous and "successful" economic reformer (see Edwards, 1995). The changes in tariff rates and import licensing were extremely notable. Tariffs dropped from averages approaching 40 percent in the mid–1980s to less than 12 percent by 1992– 1993. Similarly, where import licenses covered almost half of all imports in the 1980s, by the early 1990s, the government had completely eliminated these barriers (Nogués, 2001). Argentina's vigorous approach to trade liberalization is particularly representative of developing nations generally.

Though significant trade reform was part of Argentina's comprehensive liberalization program in the 1990s, there is strong evidence that its rhetorical embrace of trade liberalization was tempered by other less visible trade policies that were much less "liberal." Most indicative, Argentina quietly became one of the most aggressive users of AD in this period.[2] Table 1 illustrates the worldwide AD trends—there were hundreds of measures affecting billions of dollars in imports. The heaviest users in the world in terms of the raw number of measures were the United States (169) and India (156), but Argentina demonstrated the lowest ratio of imports to measures—implementing a measure for every $1.8 billion (USD) in imports. In

comparison, the United States implemented a measure for every $41 billion in imports. Furthermore, Table 2 demonstrates how quickly Argentine industries initiated large numbers of new cases. Interestingly, AD is by far the most important and popular Argentine trade policy instrument, and, in this period, it implemented only a small handful of other policies such as countervailing, standards-related, and safeguard measures. In the mid–1990s, to address the new onslaught of AD petitions, a national statute created the *Comisión Nacional de Comercio Exterior* (CNCE), which was charged with deciding on firms' or industries' petitions for relief from foreign imports through punitive AD duties.[3] This study seeks to understand how and why a touted reformer—a "least likely" case—was simultaneously implementing new trade policies that cast into serious question its commitment to the trade reform process.

The process by which Argentina deals with foreign firms "dumping" goods is based partly on the U.S. system, wherein firms petition directly to the CNCE to receive protection from allegedly unfairly traded goods, and the agency decides whether or not the dumping leads to economic injury to the petitioner (Baracat, 2001). The initial benchmark of what is "unfair" is enshrined both in the Argentine Presidential Decree 744/94, and in the WTO's (previously, the GATT's) Article VI, which defines "unfair" as selling goods at less than the cost of production or at a price below that of the exporter's domestic market.[4] Evidence of injury to the petitioner must exist to justify the legal imposition of punitive duties.

The CNCE is part of the executive branch of government. The president appoints commissioners who must demonstrate expert economic knowledge and serve limited terms. Notably, the agency has the authority to make all "final" decisions, and other governmental institutions and elected officials are not permitted to override their decisions. Though institutional designers sought to insulate the agency from political interference, well-intentioned design does not always translate into nonpoliticized policy outputs. After all, consider that Argentina based their trade agency's institutional design on the U.S. International Trade Commission (ITC),

Table 1
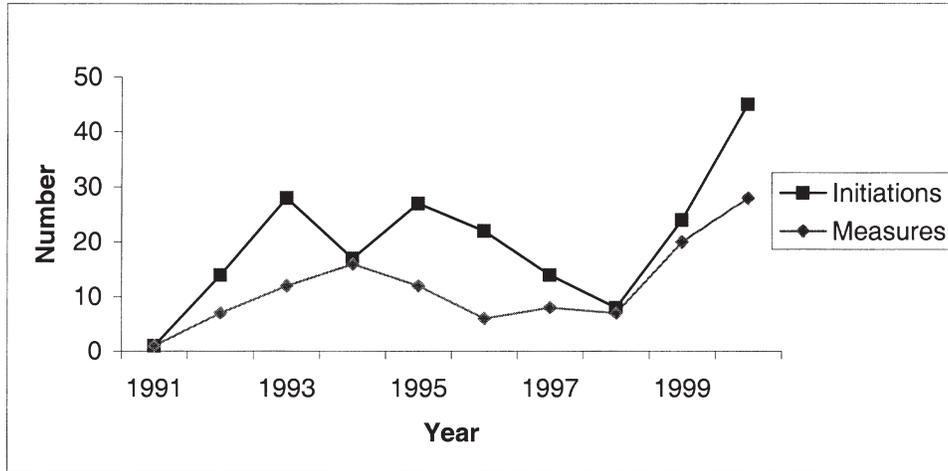### Major Worldwide Users of Antidumping Measures—1995–2001*

Country	Number of AD Measures	Total Imports ($U.S. billions)	Measure per $U.S. Billions of Imports
Argentina	96	175	1.8
South Africa	92	188	2.0
India	156	350	2.2
Brazil	51	405	7.9
Australia	31	439	14
Mexico	51	884	17
Canada	67	1410	21
South Korea	28	945	33.8
United States	169	6930	41
EU	146	8592	58.8

*Sample is limited to after 1995 because of availability of reliable data on confirmed implemented measures.

Sources: AD—WTO and Imports—IMF.

Table 2
Antidumping Initiations and Measures—Argentina
1991–2000

which is well documented in the literature to be clearly vulnerable to political pressures from Congress, strong interest groups, and other actors. It is no surprise that numerous anecdotal accounts from Argentina (e.g., *Pagina12*, 2002) and its trading partners (e.g., Palacios, 2003) corroborate that interested parties outside of the CNCE attempt to influence the process. Like the ITC, in the interests of transparency and accessibility, the CNCE actually utilizes a process that provides fairly open access for a wide variety of interested parties, both through hearings and relative openness of the commissioners.

Numerous high-profile Argentine AD cases revealed that many actors beyond the executive branch—including firms, industry associations, provincial governors, and members of the legislature—have become actively involved in seeking to influence trade policy decisions. In one well-known case involving toys, professional lobbyists hired by the toy importers arrived from abroad to wage a media campaign against the proposed duties. These activities, in turn, inspired the patriotic support of domestic toy manufacturers, including the public backing of domestic manufacturers by several prominent nonexecutive politicians (Baracat, 2001). It is reasonable to assume that these observed occurrences of attempted influence represent only a small percentage of the actions taken by parties seeking to affect the case outcomes through the formal hearing process, and formal and informal lobbying. Using theory and previous empirical research to guide the analysis, and taking advantage of comprehensive national-level data, this article develops meaningful empirical tests of the effects of political factors on AD outputs in Argentina.

Literature and Theoretical Orientation

The literature on trade policy in developing countries has a limited but rich history. Many studies focus abstractly on trade liberalization's ability to provide nations

with real economic gain (e.g., Bhagwati, 1990; Krueger, 1998). Many more studies evaluate how liberalizing policies perform (Buffie, 2001; Fedderke and Vaze, 2001), evaluate the political and economic effects, or both (Haggard, 1995; Haggard and Kaufman, 1992). The literature on AD policy in developing nations, though limited, has also grown recently, focusing primarily on new trends, and identifying its effects on imports (Blonigen and Prusa, 2003; Finger, Ng, and Wangchuk, 2000; Prusa, 2001). Other studies have focused on the relationships between competition and AD policies (Guasch and Rajapatirana, 1998; Holden, 2001). Still other studies approach the subject legalistically by offering descriptions and some prescriptions for the legal facilitation of AD policy (Brink, 2002; Steele, 1996). Few studies have focused on the political economic variables that shape AD policy decisions in particular developing nations.

Although scholars have rarely emphasized the workings of trade policy—and particularly protection—in the developing world, there is a sophisticated literature on trade policy in the industrialized world (e.g., Mansfield and Busch, 1995; Milner, 1987). Although there are certain differences between industrialized and developing nations, there are fundamental characteristics of trade more generally that make this literature a logical point of theoretical departure. The majority of trade protection studies—including those using "endogenous protection" theories—utilize some variation of a "supply and demand" metaphor, wherein domestic interests demand protection and governments decide whether to provide it (Hansen, 1990; Nelson, 1988; Trefler, 1993). This study builds theoretically upon the central ideas of these studies and seeks to place them in the context of a major developing country in the midst of significant economic reform.

The "demand" side of trade protection focuses on economically struggling constituents that request import relief, emphasizing the characteristics of interest groups and the types of pressures they put on government to implement protectionist polices (see Bergsten and Cline, 1983; Grossman and Helpman, 1994; Ruggie, 1983). Many theories of regulation posit that interest groups compete for beneficial regulatory policy. In many ways, the "demand" side of the explanation builds upon the pluralist literature; accordingly, the preponderance of recent studies on trade protection in the United States aim to link interest groups to elected officials and the agency that implements trade policy. Empirical results from these studies clearly demonstrate that these agencies are susceptible to influence from private interests, the executive, members of the legislature, or combinations of these actors. Furthermore, both general studies (McCubbins and Schwartz, 1984; Weingast and Moran, 1983) and those more specific to trade policy (Baldwin, 1985; Hansen and Prusa, 1997) have refined this linkage considerably by exploring the complex relationships—often through lobbying or campaign contributions—between interest groups, the government agencies, and key legislators.

Intrinsically tied to the demand side, the "supply" side of the equation focuses upon politicians' incentives to grant protection. In short, elected officials grant benefits to groups that help to maximize their political support (Becker, 1983; Peltzman, 1976; Stigler, 1971), and more specifically, to enhance chances for reelection (Downs, 1957; Mayhew, 1974). The assistance from industries or firms is often either implicit in the number of potential voters or explicit in the financial aid for the candidate.

Because the relationship between protection and reelection is nuanced, the literature also seeks to identify specific macroeconomic contexts where politicians might seek more economically liberal policies and where they might attempt to generate some "political capital" through the provision of protection. The literature on economic voting (Fiorina, 1981; Key, 1966) makes the connection between national-level, macroeconomic management and presidential elections more explicit by demonstrating that voters are more likely to reelect presidents (and to some extent, other politicians) in better economic times. Since the process of trade liberalization is widely seen by economists to offer large, long-term macroeconomic benefits (Bhagwati, 1990; Krueger, 1998), it has been the consistent choice—at least rhetorically—of recent U.S. presidents and many other national leaders for 20 years. But the benefits of free trade tend to be diffuse and not easily attributable to political incumbents, whereas the costs—a firm going bankrupt or laying off workers—can be quite concentrated and politically damaging. Scholars have noted that negative macroeconomic fluctuations heighten demands for assistance from struggling sectors and increase incentives to provide it (Bergsten and Cline, 1983; Ruggie, 1983). Trade protection offers governments—and perhaps regionally elected politicians particularly—a politically viable way to demonstrate to an industry and its workers that it is looking out for their best interests.

Working Hypotheses

The theoretical perspectives above suggest hypotheses to frame the empirical analysis. These hypotheses represent elements of both the "supply and demand" framework and key economic controls. There are several ways that analysts have sought to represent these potential political links. First, analysts suggest that the overall size of the industry is a reasonable measure of its inherent political strength through its overall contribution to the national economy, the number of workers that it employs, and its potential for financial support of a candidate. Scholars who examine tariffs, for example, demonstrate that larger industries often benefit from higher tariffs (Cheh, 1974; Pincus, 1975), suggesting the following hypothesis:

H1: *Larger industries are more likely to enjoy protectionist policy outcomes because they wield greater political clout.*

Some scholars hypothesize that the geographical concentration of an industry might positively affect its ability to secure protection (Caves, 1976; Esty and Caves, 1983; Pincus, 1975), but other studies have found a negative effect (Hansen, 1990; Trefler, 1993). Specifically, many scholars hypothesize that industries that spread across more political constituencies wield greater political power because they are the major—even dominant—economic and therefore political players in constituencies with relatively limited economic activity (see Caves, 1976), and have fewer competitors for rents. These industries also frequently build relationships with many different high-level elected officials and therefore have more points of access to the political process (i.e. opportunities to pressure politicians). This dynamic may be particularly relevant in the Argentine institutional context. First, within the federal structure, provincial governors control significant budgets, and thus wield "inter-

governmental" bargaining power and influence at multiple governmental levels (see Wibbels, 2005). Second, in this era, provincial legislatures elected representatives to the national Senate, and it is reasonable to assume that senators came to office at least somewhat beholden to the regional interests in their home provinces.[5] Consequently, I propose the following hypothesis:

H2: *The more political constituencies in which an industry is located, the more likely that it will receive a protectionist AD decision.*

On a broader level, the trade literature has hypothesized that economic decline increases the demand for and the incentives to supply protection.[6] Thus, it is reasonable to expect that macroeconomic context will shape the CNCE's propensity to protect, suggesting:

H3: *Macroeconomic decline in the year before the decision is more likely to motivate a protectionist AD case outcome.*

Since presidents and certain ministers contend not only with domestic pressures but also with foreign relations, it is reasonable to expect that characteristics of the target nation may influence the overall amount of executive-level pressure on the CNCE, thereby affecting the agency's decisions. In particular, trade deficits with and the overall economic importance of the target nations may condition how the government provides protection. While trade deficits are not well understood by analysts, the public perception is invariably negative, and governments seek to maintain equilibrium. At the same time, the proportion of Argentina's exports to the target nation should also matter because of the fear of economic retaliation. These dynamics suggest the following hypotheses:

H4: *The size of the trade deficit with the target nation will vary positively with the CNCE's decision to provide protection.*

H5: *The greater the proportion of total exports to the target country, the less likely that there will be a decision in favor of protection.*

Similarly, the overall temptation of treating "easier" targets differently (i.e., less fairly) will likely affect the amount of political pressure and the tendency to succumb to it, therefore affecting the CNCE's final decision. WTO members especially are permitted by international guidelines to treat nonmarket economies differently. Specifically, nations are allowed to "construct" values that are supposed to make comparisons between nonmarket and market economies of specific goods more effective. Experts have observed that nations interpret these constructions liberally, often leading to systematic abuse (Hansen and Prusa, 1996; Ikenson, 2001). Furthermore, nonmarket nations are generally not members of the WTO and therefore have little recourse to challenge actions in any international regulatory framework. Finally, most nonmarket economies are not significant importers, and Argentina's concerns about retaliation are likely minimal. These dynamics suggest the following:

H6: *Cases that target imports from nonmarket economies are more likely to end in protection.*

Controlling for case merit is essential. By statute, the CNCE is required to evaluate the overall health of the industry and the overall merit and/or legitimacy of the case (i.e., is there dumping and injury?). Technically, WTO rules stipulate that the petitioning industry must experience economic injury to receive protection. Methods for identifying injury or case merit vary across different contexts. In Argentina, one of the principal ways in which the CNCE seeks to identify potential dumping or "injured" industries is by monitoring imports, and it is often a key component in commissioners' decisions.[7] For example, a large increase in the volume of imports from a particular country indicates evidence of lost sales to domestic producers, suggesting:

H7: *The greater the increase in a nation's share of Argentine imports of a particular product, the more likely that the case will end in protection.*

The CNCE, like any government agency, is constrained by resources and will accordingly seek to address cases that matter in broad economic terms with more efficiency. It is reasonable to expect that the CNCE often judges the merit of a case by the relative value of the imports involved and therefore the potential injury, suggesting the following:

H8: *The larger a country's share of the imports of the product(s), the more likely that the case will end in a protectionist decision.*

Data

The data in the empirical analysis consist of 114 antidumping case decisions made by the CNCE between 1992 and 2001 (inclusive). The empirical analysis focuses precisely on the government's decision to provide protection to the petitioning industry. This time period includes both the Carlos Saúl Menem and Fernando de la Rúa administrations and provides for some variation across presidents and parties.

The descriptive data in Table 3 illustrate that AD cases in Argentina vary greatly across sectors; no particular industry dominates, though the different parts of the large steel industry are vigorous petitioners. The cases range from basic commodities (e.g., steel, wood, paper) to highly specialized technological products (e.g., fiber optic cable, scientific meters). Even within industries, there is much variation as the cases comprise hundreds of different products as defined by international harmonized system (HS) tariff codes (CNCE Reports 1994–2001), and involve an array of several hundred different firms. For example, in the primary steel cases, large Argentine steel conglomerates dominate the petition process while in the specialized steel product cases, smaller, technologically-oriented firms are more common (see Etchemendy, 2001 and Gerchunoff et al., 1994). Finally, some of the industries are geographically concentrated (e.g., cement, glass, and cable) while others are spread widely across the country (e.g., steel products, textiles, and wood products).

Table 3
Types of Antidumping Petitions by Industry

Industry	Number of Petitions*
Steel Products (pipes, bars, etc.)	29 (15.4%)
Chemicals	19 (10.1%)
Wood & Paper Products	18 (9.6%)
Primary Steel—Hot—and Cold-rolled	17 (9 %)
Electronics	14 (7.4%)
Specialized Cable (telephone and fiber-optic)	14 (7.4%)
Heavy Manufacturing (motors, transformers, heavy appliances, etc.)	13 (6.9%)
Light Manufacturing (toys, games, fireworks, etc.)	12 (6.4%)
Plastics and Rubber	12 (6.4%)
Specialty Products of Steel (cutlery, drill bits, spokes, etc.)	12 (6.4%)
Textiles	8 (4.3%)
Glass and Ceramic	6 (3.2%)
Technological Products (specialized scientific apparatus, etc.)	6 (3.2%)
Bicycles and Mopeds	5 (2.7%)
Processed Food	4 (2.1%)

Source: CNCE and WTO semiannual reports.

Similarly, Table 4 demonstrates that there is tremendous variation across target nations. Not surprisingly, Brazil and China are the most frequent opponents. Brazil is the greatest source of Argentine imports (>20 percent) and China is the fastest growing exporter to Argentina (IMF, various years).

Model and Measures

I seek to model the CNCE's decisions on AD cases, and expect that general political and economic factors will affect these judgments. Politically, I anticipate that industry strength and geopolitical representation will influence the firms' and industries' protection requests. I also predict that aspects of the general economy and the characteristics of the target country will shape the agency's decision to provide protection. Economically, it is likely that evidence of injury and general magnitude of the case will affect the outputs. With these factors in mind, I hypothesize the following basic model:

$$\text{CNCE Decision to Protect} = \beta_0 + \beta_1 \times (\text{Domestic Political Factors}) + \beta_2 \times (\text{Foreign Trade Relations}) + \beta_3 \times (\text{Economic Control/Case Merit}) + \varepsilon$$

The dependent variable is a dichotomous measure of the CNCE decisions to protect (CNCE annual reports and WTO semiannual reports, 1992–2001). The binary measure suggests the use of maximum likelihood probit analysis. Prusa (1992) demonstrates empirically that cases ending in price undertakings are very similar to cases ending in formal provisions of protection because both resolutions generate similar outcomes: higher import prices. Therefore, consistent with the AD literatures, I include the small number of undertakings as affirmative decisions.[8] Fur-

Table 4
Antidumping Petitions by Region/Country

Region/Country	Number of Cases	% of Total Imports (1998)
Brazil	43 (22.9%)	22.6
Latin America (exclusive of Brazil)	14 (7.4%)	0.3
China	28 (14.9%)	1.9
East Asia (exclusive of China)	26 (13.8%)	6.9
Western Europe	35 (18.6%)	30.6
Eastern Europe (including Russia)	18 (9.6%)	0.6
United States	10 (5.3%)	21.5
Africa (South Africa only)	8 (4.3%)	0.6
Australasia	6 (3.2%)	5.3

thermore, there are straightforward reasons that numbers of petitions (191) and decisions (114) do not match. First, the CNCE sometimes rejects petitions where there is clearly no merit (insufficient data, no imports, obviously fair pricing, etc.). Second, and most commonly, petitioners sometimes withdraw their cases before a decision. Petitioners are frequently unaware of the resources necessary to pursue a petition, and realize that they cannot or do not want to continue. Since there is no decision in these cases, they are not included in the empirical analysis.[9] Petitioners also often re-file their cases later for various reasons and, in these circumstances, I include only the pursued petition.

The measures for the independent variables seek to represent the above research hypotheses using the best available data. Consistent with the AD literature in developed nations, as an overall measure of interest group strength, I use total industry production in constant dollars from the Argentine Manufacturing Census (e.g., Hansen and Prusa, 1996). Unfortunately, firm-level data are unavailable. Because of Argentina's provincially elected senate and its strong federal system (i.e., powerful governors and other provincial-level actors), the most meaningful measure of the breadth of the industry's representation is the number of provinces in which the industry operates (Argentine Census).[10] To represent overall macro-economic constraints, I use the annual change in gross domestic product (GDP) (World Bank, 2002). The measure of trade deficits is simply the difference between exports and imports to and from the targeted nation (IMF, various years). The measure of the percentage of total exports is also constructed from IMF databases. I use WTO definitions of nonmarket economies and represent the variable as a simple dummy. The first case merit measure is the change in value of imports (HS–8) from the target country between two years and one year before the final decision. The second measure is the target nation's proportion of total imports of the specific product(s) (Inter-American Development Bank, 2002).

Analysis

The results from the probit analysis, as reported in Table 5, demonstrate interesting findings. It is evident that both political and economic variables help to shape the

decisionmaking of the CNCE. In particular, industries represented across more provinces have a greater chance of receiving a protectionist decision. Second, cases involving nonmarket economies are more likely to end in protection. Third, macroeconomic context affects the provision of protection—the likelihood of an affirmative decision is greater when the overall economy is struggling. Finally, the agency, as its mandate demands, appears to consider strongly changes in the industry's competition with foreign goods as measured by imports.

The coefficient of the breadth of representation measure is statistically significant at the 5 percent level and in the expected positive direction. [11] Firms and industries that are located in more provinces have a greater likelihood of receiving protection.[12] The results suggest that with all other variables held at their means, an industry with interests in 10 Argentine provinces versus an industry with operations in only five provinces is 14 percent more likely to receive a decision in favor of protection. Two parts of the vast and varied steel industry provide an excellent illustration. The "raw" industry comprised mostly of large steel mills producing basic rolled and sheet metal goods only wins its cases at a little below the average rate (~60 percent). This industry, though it has operations in eight provinces, is actually almost entirely concentrated in five provinces. In contrast, the secondary steel products industry wins about 85 percent of its cases and has significant companies operating in 20 provinces (and an additional four counting provinces with very small operations).

Second, the nonmarket dummy is positive and statistically significant: cases that involve nonmarket economies are more likely to end in protection.[13] Notably, many of these cases involve China. With trade rapidly increasing with China and its accession to the WTO, it will be important to note if this pattern continues. Interestingly, the variable that measures the inherent strength of an industry and therefore overall interest group "power"—the value of production—is negative, contrary to expectation, but not statistically significant.[14]

The macroeconomic measure, change in GDP, is negative as anticipated and strongly significant.[15] It is more likely that the CNCE will decide in favor of protection during difficult economic times.[16] The results suggest that with all of the other variables held at their means, a case during economic decline— e.g., –2 percent— is nearly 25 percent more likely to receive an affirmative decision than a case in a year of steady growth— e.g., 6 percent.[17] Similar measures in studies of developed nations do not appear to have significant effects on policy outputs, but the contribution to the overall explanatory capacity of this model is clear: the percentage of cases correctly predicted by the model with GDP is 72.7 percent versus 65.4 percent without the measure.[18]

The coefficients of the two international-level variables—trade deficit and percentage of overall exports—are in the expected direction but neither is statistically significant. Another general variable that analysts have begun to examine systematically is that of retaliation, particularly involving previous AD and other GATT/WTO cases (Blonigen and Bown, 2003). There is evidence of only five AD cases and two WTO cases that are temporally proximate, none of which provoked a response involving AD.

The coefficients of the variables exploring economic injury/case merit are positive, as expected, and statistically significant. The change variable indicates that the

larger the change in the import value of the products in the petition, the more likely that the CNCE will rule for protection. The proportion measure suggests that cases involving larger shares of imports of the particular product(s) are more likely to end in a protectionist decision. The evidence suggests that the CNCE is paying consistent attention to the economic measures of cases.[19] The CNCE also appears to be considering strongly the magnitude of cases, and larger cases appear more likely to end in protection.[20]

Better political economic measures including changes in industry production and capacity would allow for improved testing of arguments that posit that the state pursues its own goals when making AD policy. Unfortunately, such measures do not exist for Argentina. When I incorporate available measures—broad sector-level measures of growth—into the analysis, they perform as expected: where there is evidence of sectoral decline, the CNCE is more likely to protect. I do not include these measures in the overall model because of widespread missing cases and the high level of aggregation. Furthermore, these data are self-reported by industry, and it is reasonable to believe some industries may misrepresent themselves for their own purposes.

Some scholars hypothesize that changes in exchange rates affect the levels of trade protection (Báez, 1996; Bergsten and Williamson, 1991; Dornbusch and Frankel, 1987; Miranda, Torres, and Ruiz, 1998). When currencies appreciate, import prices drop and put pressure on import-competing sectors, increasing their demands for relief. Surprisingly, when I include a measure of the change in real effective exchange rate with the relevant trade partner, the coefficient is positive but is not statistically significant.

Scholarship on AD in the United States has noted that specific industries—particularly steel—are very aggressive in seeking NTBs, especially AD, yet there is little empirical evidence of disproportionate success (see Hansen and Prusa, 1996, 1997). Argentina also boasts several dominant sectors, including their steel industry. This is interesting because when I include dummy variables for steel and the other major industries outlined in Table 3 (both individually and combined), the coefficients are never statistically significant. Beyond anecdotal accounts, there is no clear, systematic evidence that specific industries are monopolizing these rents. Furthermore, these results suggest that one industry is not driving other results in the analysis.

Analysts have recently begun to explore the potential for error correlation in "clusters" of cases (e.g., Drope and Hansen, 2004). To be specific, petitions that target multiple nations for the same product(s) share some values across independent variables. As a result, I use STATA's cluster technique, which accounts for these shared values and assigns each of these same-product/different nation cases to a cluster. All results for the cluster model are similar to those in the main model.[21]

Recent scholarship has not examined systematically the possibility that AD could be directly related to tariffs, perhaps because of the ambiguity of this relationship. On one hand, AD could be a reaction to decreased tariffs, and we should expect to see AD measures where the tariff levels are low or dropping in the product class. On the other hand, AD could be a complement, and we should then expect the two trade barriers to increase simultaneously. I therefore include both product-specific tariffs and changes in product tariff levels, and also try each of the measures separately.[22]

In each specification, the coefficients are negative but never statistically significant, and they do not affect appreciably the rest of the model. These findings are probably a result of the distinct lack of variation of these measures. When Argentina decreased its tariff rates in the late 1980s, the changes were remarkably uniform, which is corroborated by the small standard deviations of the average rates in the 1990s. By 1995, the average bound rate was less than 13 percent and average applied rates were even lower. Moreover, the rates did not fluctuate appreciably during the time period of this analysis.[23]

Finally, in an attempt to determine if more variables in the empirical model(s) actually contribute to a better understanding of AD outputs, I employ log-likelihood tests to examine the capacity of the unrestricted model compared to more restricted versions. In particular, I try removing explanatory variables both individually and in meaningful groupings— e.g., "domestic political" variables—and compare the new restricted models to the unrestricted model. In each case, the statistically significant chi-squares of the tests indicate that each variable and each different set of theoretical variables adds to the overall explanatory capacity of the unrestricted model. The theoretical framework and these tests suggest that this comprehensive model has the best explanatory capacity. Comparably, with the battery of additional variables that are discussed in the results section, but not included in Table 5, I perform systematic tests to determine if they help in improving explanatory capacity and find that these variables do not improve the model.

A Two-Step Model

Previous AD studies suggest that because industries must first petition for protection that there is potential selection bias wherein certain firms or industries are more likely to seek assistance than others (Blonigen and Bown, 2003; Hansen, 1990).[24] Scholars theorize that the specific characteristics of the potential petitioners matter, especially perceptions of the likelihood of winning cases. Since the CNCE considers the general health of industries, we can expect that struggling firms will apply. Second, we can anticipate that potential AD users in middle-income nations are aware that they require significant resources to pursue cases because disputes are often protracted and legal fees sizeable.

To address potential bias, I execute a maximum likelihood probit model with sample selection (STATA's "heckprob"). The first "petition" stage includes measures of industry perceptions of case validity, including sector-level growth/decline measures and product-level changes in imports (HS–4 code). I use industry production to represent the "resources" of the industry.[25] The second stage variables are similar to those in the probit model in Table 5.[26]

Unfortunately, I am constrained by available data. I can only run the two-stage model for 1998–2001, creating degrees of freedom issues (in the two-stage model, N=60). Despite these limitations, the results are interesting and worth reporting, and consistent with the results in Table 5, which has a significantly larger sample. In the first stage, the change in import measure is in the expected positive direction and significant at the more marginal 10 percent level, while the growth measure is negative as anticipated, but not significant. Firms that are in industries facing increased imports are more likely to apply for AD.[27]

Table 5
Probit Analysis of the Determinants of Argentine
Antidumping Decisions by the CNCE—1992–2001

Variable	Coefficient (Robust Standard Error)
Industry Value of Production (millions of pesos)	−0.33
	(0.27)
Number of Provinces with Industry	0.10*
	(0.04)
% GDP Growth	−0.08**
	(0.03)
Trade Deficit ($ millions)	−0.0002
	(0.0002)
% of Total Argentine Exports to Target Nation	−0.001
	(0.02)
Nonmarket Dummy	0.88*
	(0.37)
Change in Target Nations Imports (Industry-level in $ millions)	0.02*
	(0.007)
Target Nation's % Share of Argentine Imports (Industry-level)	0.02*
	(0.009)
Constant	−0.45
	(0.41)
Number of Decisions	114
Number of Affirmative Cases	71
Percent Affirmative	62.3%
Percent Correctly Predicted	72.7%

*$p < 0.05$, ** $p < 0.01$

In the model's second stage, the results are similar to the model in Table 5. The measure for the number of provinces with the industry remains significant at the 5 percent level and positive. The change in GDP measure is negative, although the significance drops from the 1 percent level to the 5 percent level. The results of the two-step model in this shortened time period provide preliminary evidence that there is a two-stage dynamic where negative changes in imports are more likely to influence a firm or industry to petition for assistance, but that petition-stage, self-selection has only limited impacts on the second stage. Future research—with better longitudinal data—will need to explore further the complexity of the two-stage dynamic.

Conclusion

This study contributes significantly toward understanding how political and economic factors are shaping the important area of "post-liberalization" trade policy implementation in Argentina. The focus explores the mechanisms and variables that produce and shape trade policy outputs. The study utilizes existing theories of trade protection—particularly variations of endogenous protection theory and ex-

aminations of AD—that until now have been used predominately to examine trade policy in developed nations. The robust findings of the analysis suggest that these theories are useful in beginning to explain trade policy outcomes in the developing world. Furthermore, the study demonstrates that these theories are helpful in our efforts to understand the variables that shape the somewhat uncertain path of recent economic liberalization beyond its initial introduction, and that the factors that affected policy implementation in Argentina appear to continue to shape policy implementation in the "post-liberalization" context.

After controlling for the specific microeconomic factors of the cases, political actors have some influence over AD policy outputs. As previous studies on tariff and nontariff policy in the United States and other developed nations have found, industries that are located broadly across meaningful political constituencies appear to be more successful at obtaining nontariff rents, lending empirical support from a new context to an old theoretical argument. New data will enable future research to refine the different impacts between market structure, political concentration, and geographical dispersion. Also, future qualitative research can explore the mechanisms and provide richer illustrations of intergovernmental bargaining's effects on policy implementation.

The analysis also underscores the need to control for macroeconomic context, suggesting that it might be crucial in subsequent studies of developing nations with more volatile economic situations. Furthermore, this finding implicitly raises the important issue of the effects of severe economic crisis on trade policy implementation.

Although we have learned a great deal about the variables that influence nontariff trade policymaking in the post-liberalization context, we are still exploring the deeper underpinnings of both the supply of and demand for protection. Recent scholarship makes a compelling argument that the Argentine government granted rents to strong interests—particularly steel—that were important potential members of the initial pro-reform coalition (Etchemendy, 2001). Building on these findings, it is most interesting that the government not only continued with these nontariff policies beyond the initial reform stage but actually increased—dramatically—the use of AD measures over time, and especially in bad economic years. This growth in AD usage suggests that over time some of the underlying reasons for supplying protection may have actually changed. The rapid growth of AD use also casts doubt on the notion that nontariff rents act mostly as a "safety valve" as governments attempt to placate interests harmed by economic reform.

Furthermore, the empirical results in this study suggest the government has not favored any particular industry during the time frame. For instance, while earlier anecdotal evidence suggests compellingly that "big steel" (makers of basic steel goods) did well in receiving relief through AD in the immediate post-reform era, there is no systematic empirical evidence that it has continued to receive favorable treatment. There is then no obvious sectoral explanation. Similarly, while we cannot rule out "coalitional" explanations altogether, there is no clear, unified pattern or theory of coalitions that emerges from the empirical analyses. Rather, as the uncertainties of reform have settled in Argentina, the determinants of who receives favorable policy outcomes begin to look a great deal like pre-reform contexts in Argentina and other nations, including developed ones. In short, petitioners com-

pete for special treatment, and generally speaking, those that wield the most political capital—in this case, the most connections across many constituencies—are consistently more successful in the competition for these rents.

Future studies will need to explore the interaction of competing and complementary policies including competition issues. This analysis makes an important preliminary contribution by integrating AD measures and tariffs, but more examination of these dynamics is necessary.

Finally, the results of the study—a preliminary performance evaluation of sorts—suggest that the CNCE has endeavored to keep the process as "economic" as possible. Clearly, the results of this analysis show that—similar to studies on the ITC in the United States—the economic merit of the case does appear to matter, even if politics finds its way into the equation. Perhaps the price for genuine access to decision-making in an open democracy is important economic policy outputs that are influenced not only by economics but also politics. From a normative perspective, a better understanding of the determinants of AD and similar policies will help inform the making and implementation of more effective trade policies in the future. In ideal—though probably unrealistic—circumstances, AD policy outcomes should be conditioned only by specific economic variables (i.e., evidence of genuine dumping and injury), and analysts should continue to determine if agencies meet these objectives. Antidumping policy based on politics stands to distort trade flows and, while certain politicians and societal actors may "win" in these circumstances, societies in general will be the losers through net welfare losses. The damage will come as higher consumer prices and the preservation of inefficient firms and industries. Free trade policies are by no means a panacea for the economic ills of developing nations but bad trade policies or the poor implementation of sound policies can only serve to undermine economic progress.

Appendix

Table A
Descriptive Statistics*

Variable	Mean	Standard Deviation	Minimum	Maximum
Industry Production (millions of pesos)	663796	712154	39741	2931275
Number of Provinces with Industry	7.75	3.79	3	24
% GDP Growth	2.84	4.87	–3.4	11.9
Trade Deficit ($millions)	41.69	968.29	–1310	4082
% of Total Argentine Exports to Target Nation	8.8	11.1	0	30.5
NonmarketDummy	0.21	0.41	0	1
Δ Target Nation's Imports ($millions)	1.24	26	–26.5	150.2
Target Nation's % Share of Argentine Imports	18.9	24.93	0	98.76

*N=114—number of CNCE decisions.

Notes

1. These estimates do not address distortions that result from "threats" of AD duties, wherein foreign exporters adjust prices (i.e., increase) for fear of possible punitive measures. It is reasonable to assume that these "non-" cases amount to billions more in trade distortion.

2. Etchemendy (2001) and Gerchunoff, Bozzalla, and Sanguinetti (1994) have noted the use of nontariff trade policies in Argentina.

3. In the relatively few cases in this study before the creation of the CNCE, the Under-Secretariat for Foreign Trade in the Secretariat for Industry, Trade and Mining within the Ministry of the Economy played the principal role in AD. After the CNCE's creation, the government codified the roles: the under-secretariat ruled only on dumping and the CNCE ruled on injury. Note that before the CNCE, the under-secretariat had commonly ruled both negatively and affirmatively in dumping decisions; however, when the under-secretariat's role became only the dumping decision, it ruled affirmatively in all but a few cases before passing the cases on to the CNCE for injury determination. Thus, the CNCE has become the true arbiter in these cases.

4. Decree 744/94 is only possible because of Law 16,834 through which Argentina acceded to the GATT and Law 24,176 that accepted the provisions in Article VI of the GATT. Note that GATT/WTO "cost of production" must also include some relatively undefined measure of "reasonable profit," which varies inconsistently from industry to industry and country to country.

5. Future research will need to examine if the new (2001) senate electoral design (direct and staggered elections) has mitigated the influence of regional interests.

6. Empirical results from industrialized countries are mostly inconclusive, which is likely a result of economic stability. The greater economic volatility in developing countries is sufficient reason to reexamine the hypothesis.

7. The other measures that are most often used by AD agencies in industrialized nations—changes in production and capacity utilization—are simply not reliably available in Argentina. The national economic census only tracks production intermittently and does not track capacity. Another measure of merit, price, is usually protected by confidentiality to protect firms. Furthermore, the CNCE "constructs" prices for many target nations—a process open to considerable interpretation.

8. Excluding the price undertakings from the analysis does not change the results in any substantive manner.

9. Prusa (1992) argues that it is also possible that some firms file cases to elicit reactions from governments and/or industries, and then withdraw when they get the desired reaction (i.e., fewer imports). I explore this scenario in a few simple analyses that isolate and compare characteristics of key variables between the "abandoned," "rejected," and "pursued" petitions. First, to examine the "resources" argument, I use difference of means tests to compare the size of the industries in the three groups. Though the mean of the pursuing set of industries is slightly larger than the other two groups, there is no statistically significant difference between the average size of the sets of petitioners (I also try grouping the "rejected" and "abandoned" petitions together). I also compare changes in imports immediately after the initial filing, and actually find that imports, on average, drop slightly more for the petitioners who eventually follow through on their case. Finally, I run a simple probit analysis regressing petitioners case "follow-through" on change in imports and industry size, and find that both coefficients are negative and not significant.

10. Argentina uses a party list proportional representation electoral system for its lower house.

11. Analysts also sometimes incorporate measures of the concentration of industry ownership in studies of trade policies (e.g., Hansen, 1990; Trefler, 1993)—though results have been decidedly mixed in terms of the direction of the coefficients and statistical significances. According to Olsen (1965) and others, more concentrated industries should wield more political power because smaller groups are thought to organize more effectively. Unfortunately, concentration measures for Argentina exist only broadly (nine sectors only)—rendering analyses almost meaningless. This lack of data also precludes the creation of a better combined measure of political and geographical concentration similar to that of Busch and Reinhardt (1999).

12. I also test "proximity to decisionmaking." Because Buenos Aires is economically and politically dominant, I hypothesize that industries with a greater capital presence may receive better treatment. When the proportion of an industry's operations in the capital area is added to the original model, the coefficient is positive as expected but not statistically significant.
13. Brazil is Argentina's most important trading partner, both as a source of imports and a customer, suggesting that it may reasonably be more or less targeted. When I include a dummy for Brazil, the result is positive but never statistically significant.
14. I test employment as an alternative measure and the results are similar to production.
15. To check the robustness of the GDP measure, I try including year and sector dummies. Though the directions of the year dummies are generally in the anticipated directions (i.e., opposite to growth), the coefficients are never statistically significant and do not affect the result of the GDP measure, suggesting that neither particular years nor sectors are driving the results.
16. It is possible to substitute GDP growth with other macroeconomic measures such as changes in levels of unemployment, which performs similarly. I do not include such measures because of multicollinearity.
17. The actual range of decline/growth in this time period is –3.4% to 11.9%.
18. I also test for the possibility that presidential administration or election years, or both, might condition outcomes. When added to the main model, neither the dummy for the de la Rúa administration nor the dummy for an election year is statistically significant.
19. If I include a measure of the percentage change in imports—a measure that does not incorporate the overall "size" of the case—the result is positive but never significant. While such variables are arguably superior, the nature of the data precludes their effective incorporation—many of the initial import values are zero (~40% of cases), which create fundamental "division by zero" errors. Replacing zero with low dollar values creates "false" percentage change values and corresponding volatile results. Logging these values to account for highly skewed derivative values does not mitigate the volatility. Until there are several years of stable positive import levels, it is methodologically prudent to use actual monetary values.
20. Some earlier studies use provisional and final duties to represent case merit. Unfortunately, Argentina employed preliminary duties only in a small number of cases, thus precluding their use. Also, instead of actual duties, Argentina negotiated price undertakings in some circumstances, which are not comparable across cases. Final duties are only available for affirmative outcomes, which is not helpful to incorporate as a measure for the full sample.
21. Alternatively, though less relevant than product clusters, I try clustering cases by country (country cases tend to vary across years and have fewer shared independent variable values). When I run the country-cluster analysis, the results are similar to the main model.
22. I try both change between t–2 and t–1, and change between t–1 and the product's highest tariff value in the 1980s.
23. Tariffs are not explored in this analysis as a dependent variable primarily because the remarkable uniformity in tariff reduction means that there is very little variation to explain. In the 1990s, tariffs leveled at ~11–12% annually (standard deviations=~5%).
24. Specifically, I refer to factors beyond the international statute-identified threshold of three percent of import share of the specific good(s).
25. Firm-level data are not available.
26. It is necessary to have at least one measure in the first stage that is not in the second stage.
27. It is possible that the level of and/or changes in tariffs might affect the decision to apply—firms in industries that enjoy sufficient and/or improving protection from tariffs will be less likely to apply for relief through AD. When I include these tariff measures (Ministry of the Economy and World Bank) in the first-stage of the analysis, the coefficients are negative though neither is statistically significant. One explanation for this finding may be that even industries with tariff protection are still seeking further comparative advantage via other barriers to imports.

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