Dumping by a Public Firm under a Privatization Policy and the Effects of Anti-Dumping Duties

Chisato Shibayama and Yasunori Ishii

Abstract

This study investigates the relationship between the privatization of a domestic public firm and its dumping activities and examines how anti-dumping duty influences the economic welfare of both domestic and foreign countries. We construct an international trade model in which a domestic public firm acts as a monopolist in the domestic market, while it engages with a foreign firm as a Cournot duopoly in the foreign market. We find that dumping by the domestic public firm occurs only under excessive privatization where the foreign government is allowed to impose anti-dumping duty on the domestic firm, according to the provisions of the World Trade Organization. We also show that the foreign government's imposition of anti-dumping duty on the domestic firm could improve welfare in both the domestic and foreign countries. Further, we demonstrate that partial privatization is optimal even if the domestic public firm acts as a monopolist in the domestic market, which concurs with the results presented by Matsumura (1998).