

**Dumping Behavior and Anti-Dumping Laws
in an Infinite Horizon International Duopoly Model[♦]**

by
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Abstract

We present an infinite-horizon international-duopoly model, with the assumption that current output choices affect the probability of anti-dumping enforcement and the magnitude of anti-dumping duties, and examine both exporting and importing firms' dynamic behavior. We solve for a Markov Perfect (Closed-Loop) Equilibrium, where the state variable at each period is the expected anti-dumping penalty, given in that period, and a strategic effect is also considered. We show that equilibrium dumping still exists even under the threat of anti-dumping duties, that it is compatible with price-equalization under the Closed-Loop regime, but not under the Open-Loop one, and that it can increase social welfares for both countries.

JEL classification numbers F13, L11, L13.

Key Words Dynamic Duopoly, Dumping, Anti-Dumping Laws, Markov Perfect Equilibrium,
Strategic Effect

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