

Questions for PubPol/Econ 541
Nov. 27

Dumping and Anti-Dumping Policy

Jackson, Chapter 10 (Dumping)

- Under what circumstances are imports regarded as “dumped”? **<a: An export price below either the price charges for the same product in the home market, or below cost.>**
- What is the “dumping margin”? **<a: The difference between the home price or cost and the export price.>**
- What is the level of the injury test in dumping cases? **<a: “Material injury”: in US law, “harm which is not inconsequential, immaterial, or unimportant; in GATT, broader and vaguer. Weaker than “serious injury” required for safeguards.>**
- If dumping and injury are both found, what determines the size of the anti-dumping duty? Must it then be applied? Are the rules any different in the EU than in the US? **<a: Duty = dumping margin. In US, it must be applied (President has no discretion). In EU, Commission can decide not to implement or to scale them down, “in the interests of the Community.”>**
- Does “cumulation” make it more or less likely that a country whose exports are dumped will face an anti-dumping duty? **<a: More likely. Multiple small exporters, each of which could not cause material injury, collectively can, and law favors such cumulation.>**
- Does “margins analysis” make it more or less likely that a country whose exports are dumped will face an anti-dumping duty? **<a: Less likely. Margins analysis, which is becoming more common, examines the injury due only to the price difference of the dumping margin, not the whole drop in price which may be larger.>**
- What is the “lesser-duty rule”? In what countries is it applied, and in what countries is it not applied? **<a: Two margins are identified: the dumping margin and the injury margin, the latter being the price change that accounts for any injury. The ADD is the lesser of these, so if a duty less than the dumping margin will fix the injury, it is used. The EU does this, the US does not.>**
- Suppose an anti-dumping duty will cause harm to some in an economy that is greater than the benefit to the protected industry. Can authorities therefore choose not to levy the duty? For those who can decline to levy the duty, what must be true in order for them to do so? **<a: In the US, the AD duty must be levied (the President can’t say no). In the EU, the Commission can decline to levy the AD duty if the harm to users is “clearly disproportionate to any advantage given to the Community industry by the imposition of measures.: Thus it must not just be great, but much greater.>**

Deardorff, "Economic Perspectives on Anti-Dumping Law," 1989.

- Why might an exporter dump, based on the price-discrimination definition? Who is harmed when this happens? **<a: If protected in the domestic market by a tariff. It's the domestic buyers that are hurt.>**
- Why might an exporter dump, based on the below-cost definition? Who is harmed in these cases (answer may depend on which of several reasons apply)? **<a: In the short run with weak demand, selling below average cost but above marginal cost is profit-maximizing (loss minimizing). Selling below marginal cost may be profit-maximizing if there is learning-by-doing and/or if the product is an "experience good" the demand for which rises as demanders learn its value.>**
- How common is "predatory dumping", and why? **<a: Not common at all, if it ever even occurs. Those who are alleged to dump typically are not single firms or even single countries, and therefore would not be able to coordinate on raising prices.>**

Jakob, "Lesser Duty Rule and Community Interest in Anti-dumping Proceedings," 2001.

- What does Jakob view as "fair competition"? **<a: Equal conditions of competition. Not sure if that is the same a "level playing field." Does it deny comparative advantage?>**
- What is the "lesser-duty rule"? In what countries is it applied, and in what countries is it not applied? In those that apply it, how often has the smaller injury margin been used? **<a: Two margins are identified: the dumping margin and the injury margin, the latter being the price change that accounts for any injury. Under the lesser-duty rule, the ADD is the smaller of these, so if a duty less than the dumping margin will fix the injury, it is used. The EU does this, the US does not, and in 40% of cases it has used the smaller injury margin.>**
- In what countries can an anti-dumping duty be denied based on other interests of the country? What is the "proportionality test" for this? **<a: In Canada and the EU, but not in the US. The proportionality test is that the harm to users must be "clearly disproportionate to any advantages given to the Community industry by the imposition of measures." So it seems that just being larger is not enough. >**

European Commission Directorate-General for Trade, "Anti-dumping measures."

- Who decides on anti-dumping in the EU? **<a: The European Commission.>**
- Do the criteria for anti-dumping measures differ from those of the US? **<a: Yes, as one is "not against the Community interest.">**
- What forms do EU anti-dumping measures take, and for how long? **<a: Mostly ad valorem duties, but also specific duties or price undertakings. Imposed for 5 years, subject to review and possible expiry review.>**

Hayashi, Yuka, "U.S. Downgrades Russia to Nonmarket Economy," *Wall Street Journal*, November 10, 2022.

- Can you tell from this why nonmarket status is important? **<a: This only says that it is for the purpose of antidumping tariff calculation, and that it will result in some higher tariffs.>**
- Why is the change unlikely to have much effect on Russia-US trade right now? **<a: Because that trade has been drastically reduced by sanctions.>**
- On what basis does the US justify this change? **<a: "Moscow's intervention in economic activities since last year that have made its economy unpredictable and distorted, including in currency markets, labor relations and foreign investments.>**
- What other countries have nonmarket status in the US? **<a: China, Vietnam, and former Soviet Union republics.>**
- How many countries, other than Russia, have ever been moved from market status to nonmarket status? **<a: None.>**