A Critical Evaluation of Dumping
IN
INTERNATIONAL TRADE

Shigemi Sawakami

1. INTRODUCTION

International Trade must be kept developing and growing perpetually for the benefits of both companies and countries and for the welfare of people across the world. International Trade must be carried on smoothly and peacefully. Unfair trade practices like dumping and antidumping measures pose a great threat to the development of International Trade. Further, they have been continuously increasing in number, since first observed in the nineteenth century. Why?

A. Purpose of Study

This paper aims at (1) defining dumping, (2) revealing its motives, and (3) studying its countervailing measures. In view of the fact that dumping occurs in international trade, the paper also presents overviews of international agreements on dumping and the relevant domestic laws of each individual country. Finally, the possibility of eliminating all dumping practices from international transactions will be discussed to conclude the paper.

B. Hypothesis

Dumping is an unfair trade practice. Therefore, it entails antidumping measures by the dumped country. What effects do antidumping measures have on a dumping country? Do antidumping measures have any impact on the domestic country? To test these questions, the following hypotheses are presented:

H1: The impact of antidumping duties on the domestic country is higher taxes on these imports.

H2: The impact of antidumping duties on the dumping country is decreased exports.

C. Significance

History shows that in the late nineteenth century there was a tremendous temptation in the U.S., whenever business was dull, to cut prices in order to bring in some revenues, even if they were not enough to make a profit (Heilbroner, 1865).

Suppose this is the beginning of “dumping”, it became more and more popular as time went on with the progress of the world economy. According to the World Trade Organization’s report, 1,157 cases of dumping
occurred across the world from the beginning of 1990 to the end of June, 1996 (Ministry of International Trade and Industry, Japan, 1998). Dumping is an unfair trade practice by exporters because dumping aims at forcing competitors out of their markets. Besides, it allows the dumped country to take protective measures; the dumped country imposes exorbitant tariffs or countervailing duties on the imports from dumping countries to protect its industry from such dumping.

Does dumping tend to increase along with the development of the world economy? Does free trade stand on the balance of power between unfair trade and countervailing measures? Is it possible to eliminate dumping practices from international trade? A thorough examination on these issues and in-depth study of International Agreements on dumping hopefully will reveal the mechanism that underlies the unfair trade and protectionism. This paper should contribute to foreseeing what and how international trading practices should be, in order to sustain continuous, stable growth of the world economy.

D. Sources of Data

The Duane G. Meyer Library of Southwest Missouri State University was used to acquire various books, journals, governments’ documents, etc. As to the books and journals, those written by theorists, researchers, and ex-governments’ officials specializing in antidumping policy, were purposefully selected. Governments’ and other public documents were collected by way of Internet and microfilm. They were of the U.S. International Trade Commission, Ministry of International Trade and Industry, Japan, and the World Trade Organization.

E. Definition

“Jacob Viner (1923), the first scholar to pull together precious writing on the subject, notes a sixteenth century English writer who charged foreigners with selling paper at a loss to smother the infant paper industry in England” (Finger, 1996: 13–14).

According to the General Agreement on Tariffs and Trade (GATT), dumping is defined as the price of a product exported from one country to another in less than the comparable price for the like product when destined for consumption in the exporting country (Hindley, 1996).

T. E. Gregory, an English economist, points out that the term “dumping” is used at one time or another to cover all the four following practices: (1) Sale at prices below foreign market prices, (2) Sale at prices with which foreign competitors cannot cope, (3) Sale at prices abroad which are lower that current home prices, (4) Sale at prices unprofitable to the sellers (Viner, 1996, 3).

In summary, “dumping” implies price-discrimination between national markets. Therefore, selling products at a lower price in foreign markets than the price of the like product in a domestic market constitutes dumping.

F. Plan of Presentation

Part II describes why companies dump and what impact antidumping measures have on both the home and foreign countries. This
A Critical Evaluation of Dumping in International Trade

Chapter also gives an insight into the issue of whether dumping can be stopped. Part III discusses “dumping” and “antidumping” from a global perspective. First, it shows how each country deals with antidumping measures. Secondly, it examines how the World Trade Organization (GATT) copes with these issues. Thirdly, an assumption is given as to whether or not the world will be free from “dumping” and “antidumping”. Part IV presents the conclusions of the study focused mainly on (1) whether dumping will be stopped, (2) what each country should do, and (3) what role the World Trade Organization should play.

II. Dumping and Antidumping

Why do companies dump? Can dumping practices be stopped? Why and how are antidumping measures taken? What impact do they have on the dumping country and on the dumped country? Dumping and antidumping practices are reciprocal actions that occur between dumping and dumped countries. But they have one thing in common: both lead to protectionism, which is an impediment to the development of the global economy. This chapter deals with the above issues in detail and therefore forms a major part of this paper.

A. Dumping Practices

Dumping is one of the commercial tactics employed by companies trying to expand their market into foreign countries or force competitors out of foreign markets in order to raise prices afterward. But why do they resort to dumping? GREG MASTEL classified the motivations of dumping into four categories in American Trade Laws after the Uruguay Round: (1) over-capacity dumping, (2) government-support dumping, (3) tactical dumping (discriminatory pricing), and (4) predatory dumping (p. 77–84).

Over-capacity dumping occurs when a company continues producing and selling at a price lower than the average cost of production, trying to recoup at least fixed costs. Government-supported dumping is perceived when the government supports a particular industry by providing subsidies. Supported by the government’s subsidies, the firm in the industry can sell their products at a price below the production costs. Agricultural products, for example, are often dumped in this way.

Tactical dumping is the practice of selling the same product in different markets at different prices. It works best if a company’s home market is closed to imports. With a closed home market, the company can charge high prices at home and generate high profits, which offset sales at a loss in foreign markets. Predatory dumping aims at eliminating the competition with the objective of gaining exclusive control of the market. It is an extreme form of discriminatory pricing in that it pursues monopolizing a market. This dumping practice is most likely to cause a destructive injury to the dumped country.

Whether it is called “dumping” or “discriminatory pricing”, low-cost pricing is a marketing strategy aimed at market entry or eliminating competitors’ operations by using
profits generated in a closed home market or with the help of government’s subsidies. The company must be a going concern with profit maximization as one of its supreme objectives. When the company takes low-cost pricing as a competitive advantage, nobody has the right to prevent the company from resorting to that strategy in free markets. However, it is also true that sales in foreign countries at a price less than the cost of production almost always cause quite an embarrassing effect to those countries. The next section deals with this issue in great detail, showing how the dumped countries react to dumping and what its effect is.

B. Antidumping Measures

There are several reasons for antidumping measures. Antidumping is necessary to prevent exporters from charging prices so low that domestic competitors are driven out of business. Dumping is a tactic employed by predatory exporters seeking a monopoly in foreign markets. Antidumping duties are preemptive measures against such predatory exporters. Antidumping measures are used as barriers against unfair trade. If dumping threatens domestic producers with less than mortal injury, they should be protected from unfair foreign competitors.

Antidumping measures provide a remedy for foreign market-access barriers: antidumping is to counter unfair trade strategies by foreign countries, further, to break down market-access barriers, because the protected home market is a basis used to support dumping. They also form strategies to open closed markets: antidumping is part of the strategy to promote open markets, expand trade, and put an end to mercantilism and protectionism in order to develop an open and competitive global trade system.

“There are three types of antidumping measures: antidumping duties, countervailing duties, and voluntary export restraints. Antidumping duties are levied, subject to antidumping laws designed to combat unfairly traded imports. The dumped country imposes offsetting duties on imported products that are sold at prices below those in their home market or below the cost of producing the product. While antidumping laws are targeted at countering predatory pricing of imports, countervailing duties aim at balancing the effect of foreign government subsidies by imposing offsetting duties.

“Voluntary Export Restrains (VER) are a kind of agreement between the exporting country and importing country that the importing country will not impose antidumping tariffs on the products from the exporting country on condition that the exporting country will achieve the reduction in exports requested by the importing country” (MASTEL, 1996: 71:109:131).

Consumers have to pay more than they do when cheap imports are available.

Besides, their choices of goods are limited when imports are restricted. Companies whose products consist of imported parts or components face increase in production costs. Their competitiveness decreases at home and abroad. Governments are charged with protectionism and face retaliatory measures by
exporting countries: high import duty, ban on their exports to those dumping countries.

According to the House of Representatives, Committee on Ways and Means, an antidumping action was brought and the respondent company chose not to hire lawyers and fight the case, but rather it simply stopped selling its products to Americans in the United States. U.S. companies that needed the products relocated their manufacturing operations to places outside the United States and kept right on producing for the world market. American consumers were denied the benefits of competition from the imported items (April 23, 1996).

Consumers either gain or lose. Because of their market being closed to imports of the like product, they are unable to get cheaper imports. But when manufacturers lower the price at home to dissolve the price discrimination, consumers get benefits.

Companies (manufacturers) have serious problems. They would be unable to dispose of surplus inventory, if the dumping were surplus dumping. They have to reduce production or close part of production facilities, in case other markets for the product can not be found. Otherwise, they may be forced to lower prices.

Governments need to take retaliatory actions against the importing countries: high import duties, restriction or ban on imports from the dumped countries. Governments are forced to reduced or get rid of the subsidies on manufacturers. Besides, acceptance of request for voluntary export restraints from the importing country may be unavoidable to maintain a good relationship.

Case Study on Antidumping Measures

The following two cases are cited from Finger J.M. (1996: 83–100);

Case 1. Impact on the domestic country: More than 94% of the U.S. imports of frozen concentrated orange juice came from Brazil during the 1980s. Responding to the petition filed by Florida Citrus Mutual, an association of orange growers, the U.S. Commerce Department imposed 2.655% of import deposit on all imports from Brazil. An estimated 80% of Brazilian shipment of frozen concentrated orange juice to the United States was consumed by manufacturers such as Coca-Cola, Procter & Gamble, Tropicana, and Pasco. An antidumping measure, in this case, resulted in losses on the part of the United States in the forms of higher production costs and higher prices for consumers.

Case 2. Impact on the foreign country: The Korean electronics industry benefited from the government’s direct subsidies, tax exemptions, and low-interest rate loans. It was the sixth largest electronics producer in the world in 1988. Import restrictions, supported by the ban on foreign producers of consumer electronics in Korea, protected the market position of the Korean big three manufacturers and allowed them to maintain high internal prices, well above the competitive level they must match in international markets. But when the United States imposed antidumping duties (52.5%) on imports of Korean color television
sets in 1983, Korean prices of the same product began to fall: by 1985 they were 19% below their level in 1983. However, antidumping charges against imports of Korean electronics products sometimes ended with negotiated voluntary export restraints. Spurred by foreign pressures and by the realization that economic growth required greater openness, Korea began to carry out a broad and ambitious trade liberalization program in 1980.

Are there lessons to be learned from these two cases? Case 1 shows that unfair trade cases against Brazilian firms had little direct impact on output or price levels. The foolishness of these unfair trade actions is particularly evident from their impact on its supposed beneficiaries: the U.S. citrus industry and consumers.

Case 2 indicates that antidumping actions by importing countries do not protect their consumers. If U.S. producers will push for negotiated export restraints, such restraints would not only raise costs to U.S. consumers, but by removing the incentive for Korean companies to set lower prices at home, would impose a burden on Korean consumers as well. Korea, however, learned a lesson that the economic development could be sustained only in parallel with a greater opening of its market.

But the greatest lesson the two cases provide is that dumping practices and antidumping measures both produce nothing good for either the dumping country or the dumped country. Dumping and antidumping both are rooted in the closed market. International markets must be opened, liberalized for the growth of the world economy.

U.S. International Trade Commission indicates that the benefits of trade liberalization are greater than generally appreciated. It says that moves toward free trade mean not only the one-time benefit of lower prices for consumers and greater market opportunities for exporters; they induce, through direct and indirect channels, more rapid economic growth over the long run (U.S. International Trade Commission, 1997).

Can antidumping measures be controlled? This question comes from the notion that antidumping can easily degenerate into protectionism, and protectionism must be abolished because it impairs the development of the world economy. What is the purpose of protectionism? The answer is that countries need to protect their infant industry from foreign competition. The problem lies in the point that people think antidumping equals protectionism. Antidumping is so much a tactic to cope with dumping as protectionism. So long as dumping exists, a country has the right to take antidumping measures, not protectionism. Dumping is a low-pricing strategy within the realm of normal marketing strategy. However, if a company resorts to this strategy, aiming at forcing competitors out of the market (predatory pricing), nobody agrees with the country. Difficulty lies in a technical issue—judgement—to determine whether low-pricing is dumping or not.

For the development of the world economy,
it is important for free and fair trade to be maintained. It is also important for the globalization of the economy that harmony and welfare among each individual country across the world should not be left behind. International cooperation plays a critical role in maintaining the balance between dumping and antidumping activities in good, harmonious order.

C. Summary

Dumping is one of marketing strategies. It is used to develop a new market, expand market share, and sometimes force competitors out of foreign markets. There are various reasons that motivate companies to dump their products in foreign markets. No matter whatever the reasons may be, one thing is clear: dumping is an unfair trade practice.

Antidumping measures stand on various reasons: protection of home industry, preemptive measures against monopolism, barriers against unfair trade, remedy for foreign market-access barriers, and strategy to open closed markets. Antidumping measures consist of three different types of remedies: antidumping duties, countervailing duties, and voluntary export restraints. All of them have a tendency to degenerate into protectionism. Antidumping measures have impact on home countries as well as on foreign countries. They tend to give a great benefit to consumers in foreign countries, and little benefit to consumers in home countries.

Dumping and antidumping measures both have good reasons for their existence as marketing strategies. But it is universal knowledge that they are necessary evils. There is a great diversity in market development in the world: developed, developing, and underdeveloped markets. Economic development in a harmonious, orderly manner of each individual country is essential for continuous, stable growth of the world economy and for world peace as well. International cooperation plays a critical role in adjusting and balancing the interests of each individual nation. International agreements on dumping and relevant domestic laws of various countries will be studied in the next chapter.

III. INTERNATIONAL AGREEMENTS

The measures against unfair trade practices were briefly explained in the previous chapter as “Types of Antidumping Measures”. In this chapter the focus is on how each country enacts the relevant laws. But before getting into individual countries’ laws, a brief explanation of antidumping and countervailing duty laws is given in order to help better understand the overall unfair trade practices around the world.

A. Antidumping and Countervailing Duty Laws

Governments enact antidumping laws and impose antidumping duties to provide relief to domestic industries injured by competition from imports sold at prices lower than the selling price in the exporting country. Such goods are referred to as being “dumped”, and such sales are known as “injurious dumping.” The injurious effects of the dumped goods may
be offset by means of antidumping duties levied at the time of import. The upper-limit of an antidumping duty is determined by the dumping margin—the difference between the export price and the domestic selling price in the exporting country (Ministry of International Trade and Industry, Japan: 223508e).

Subsidies have been provided widely throughout the world in such forms as grants (normal subsidies), tax exemptions, low-interest financing, investment and export credits, as a tool for realizing government policies. Although governments articulate ostensibly legitimate goals for their subsidy programs, it is widely perceived that government subsidies may give excessive protection to domestic industries. Exports of subsidized products may injure the domestic industry producing the same product in the importing country. Countervailing duty laws are enacted to offset the effect of the subsidy by imposing a countervailing duty (limited to the amount of the subsidy) on the import of subsidized goods (Ministry of International Trade and Industry, Japan: 223509e).

B. Antidumping and Countervailing Duty Laws around the world

Robert Rogowsky, Director of Operations, U.S. International Trade Commission, says, “Back in 1980, only about 10 countries had antidumping laws like the United States, but today, there are about 40 countries. In these countries, the primary target of antidumping cases have been U.S. exporters” (House of Representatives, 1996).

There are more than 150 countries in the world, and still only 40 of them have antidumping laws. This clearly shows that understanding and awareness of unfair trade practices in the world have been far behind the progress of the global economy. The United States has always taken the lead in formulating optimal antidumping and countervailing duty laws in order to maintain fair trade practices and to open closed foreign markets, thus contributing to the development of international trade. In this section, antidumping and countervailing duty laws of the U.S., Canada, and European Community are discussed.

The United States

The United States has two laws to combat unfairly traded imports: Antidumping Laws and Countervailing Duty Laws. Antidumping Laws are targeted at countering predatory pricing of imports, while Countervailing Duty Laws offset the effect of foreign government subsidies. Both laws are administered by a two-step process: the U.S. Commerce Department’s International Trade Administration (ITA) and the U.S. International Trade Commission (ITC). An antidumping and countervailing duty investigation begins when the Government receives a petition from a domestic industry alleging that imports are being dumped or are benefiting from a subsidy. Antidumping Laws work this way: the ITA determines if dumping is taking place, assigns offsetting duties (dumping margins), and administers suspension agreements. The ITC determines if dumped imports are a source of “injury” to
competitive domestic industries, then issues its final decision on injury, at which it may take into account not only present injury but also the imminent threat of future injury based on such factors as rapid growth in imports and the size of the Commerce Department’s suggested margin.

As to Countervailing Duty Laws, the ITA determines whether or not the imported product in question is subsidized. The ITC determines whether the product is imported in sufficient quantities to result in material injury to U.S. interests, poses an imminent threat of material injury to the industry, or materially retards the establishment of a domestic industry. If the ITA decides that a countervailable subsidy exists, the ITC makes its final decision and a duty is imposed after the ITC’s final decision (MASTEL, 1996).

Canada

Canada was the first country to institute an antidumping system (1904). Canada’s antidumping and countervailing duty legislation underwent major revision in the 1980s. The imposition of antidumping and countervailing duties in Canada is governed by the Special Import Measures Act (SIMA) of 1984. SIMA was designed to overhaul previous legislation and to make Canada’s legislation more effective in protecting Canadian producers from dumped or subsidized imports. SIMA contains a two-track system for resolving domestic complaints of dumping and foreign government subsidies.

The administrative determination of dumping or subsidy is made by the Assessment Programs Division of the Department of National Revenue, Customs, and Excise. The determination of material injury to domestic production is made by an independent, quasi-judicial body: the Canadian International Trade Tribunal. A dumping or subsidy investigation typically begins in response to a complaint registered with the Department by a domestic producer or several producers. After an affirmative final determination by the Department, the Trade Tribunal enters the decisive phase of its injury deliberations with a formal hearing. The Tribunal’s decision is final. A finding of injury generally requires the elimination of the full margin of dumping or the level of subsidy determined by the Department (Finger, 1996: 203–206).

The European Community

Antidumping laws are the primary instrument of protectionism in the European Community. The application of antidumping laws depends more on administrative and political consideration than on technical determinations. The fairness or unfairness of foreign trade practices is part of the rhetoric of EC trade policy. The primary motivation of antidumping measures is preventing injury to politically influential domestic products. The European Community’s antidumping regulations are not based on any economic notion of dumping but on the GATT Antidumping Code. Antidumping is the European Community’s frontline defense against imports, but not all countries have been equally deterred by antidumping measures.
Japan, Eastern European countries, and a few developing countries including China, Korea, Taiwan, and Yugoslavia have been the targets.

A dumping investigation has three possible outcomes: the rejection of the claim, the levying of an antidumping duty, or the negotiation of a voluntary price increase with the party accused of dumping. The average ad valorem (duty imposed at a percentage of the value) equivalent of antidumping measures between 1980 and 1985 was 23 percent, with peaks at 50 percent or more. Imports of products subject to antidumping investigations have fallen on average to half their initial level within five years of initiation of an investigation (Finger, 1996: 221–236).

C. International Agreements

Some countries have their own laws to combat unfair trade practices from foreign countries. Since these laws are designed to cope with international trade disputes, they need to have something in common across the world. The World Trade Organization (WTO), commonly referred to as the world trading system, provides the definition for dumping and countervailing activities, and guidelines to take counteractive measures against unfair trade partners. The U.S., EC, Canada, and other countries have been modifying their laws to conform to the spirit of the WTO.

The World Trade Organization (WTO) is an international agency whose purpose is to help trade flow as smoothly as possible in a system based on rules, to settle trade disputes between governments, and to organize trade negotiations. By May 1997, it had 131 members. The international organization that preceded it was the General Agreement on Tariffs and Trade (GATT), which deals with trade in goods, and has the provisions for antidumping and subsidies and countervailing measures. The present rules on antidumping measures are a result of the Uruguay Round negotiations (1986–1994). The Uruguay Round version is part of the WTO agreement and applies to all members.

Antidumping measures: if a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be “dumping” the product. Is this unfair competition? The WTO agreement does not pass judgement. Its focus is on how governments can or cannot react to dumping. It disciplines antidumping actions, and it is often called the “Anti-Dumping Agreement.” The WTO agreement allows governments to act against dumping where there is genuine “material” injury to the competing domestic industry. In order to do that, the government has to be able to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is, compared to the exporter’s home market price), and show that the dumping is causing injury.

Subsidies and countervailing measures: agreement on subsidies and countervailing measures does two things. It disciplines the use of subsidies and regulates the actions countries can take to counter the effects of subsidies. A country can use the WTO’s dispute settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects (GATT, 1998)
In recent years, there has been an emerging trend in the development of regional trading arrangements: regional trade blocs. EU, NAFTA, and ASEAN are the largest and most influential trading blocs to countries outside the blocs. They are most likely to erect barriers against foreign competitors while limiting their membership: bloc protectionism. Therefore, the most important issue for international trade is to ensure that existing and future regional arrangements should be designed to be GATT-consistent in both letter and spirit (Geiger, 1996).

D. Will a world free from “DUMPING AND ANTIDUMPING” come true?

Dumping strategy works when exporters’ home market is closed to imports and when governments’ subsidies exist. Companies pursuing a dumping strategy build up profits in a closed home market in order to support foreign dumping. Governments need to subsidize infant industry or industry vulnerable to foreign competition. In reality, a world perfectly free from trade barriers and government subsidies does not exist. Therefore, it is a foregone conclusion to say that a world free from dumping and antidumping protection will come in the future. However, in recent years there has been an emerging trend in the development of regional trading arrangements: regional trade blocs. They erect barriers against foreign competitors while limiting their membership. The whole world seems to be transforming into managed markets, and therefore, a world free from “dumping and antidumping” activities is far away.

IV. SUMMARY AND CONCLUSIONS

A. Summary

Countries that participate in international trade have some kind of antidumping and countervailing duty laws. These laws are more or less designed to comply with the GATT, now the WTO, whose purpose is to help trade flow as smoothly as possible in a system based on rules, to settle trade disputes between governments, and to organize and facilitate trade negotiations. However, in recent years there has been an emerging trend in the development of regional trading arrangements: regional trade blocs. They erect barriers against foreign competitors while limiting their membership. The whole world seems to be transforming into managed markets, and therefore, a world free from “dumping and antidumping” activities is far away.

E. Summary

Countries that participate in international trade have some kind of antidumping and countervailing duty laws. These laws are more or less designed to comply with the GATT, now the WTO, whose purpose is to help trade flow as smoothly as possible in a system based on rules, to settle trade disputes between governments, and to organize and facilitate trade negotiations. However, in recent years there has been an emerging trend in the development of regional trading arrangements: regional trade blocs. They erect barriers against foreign competitors while limiting their membership. The whole world seems to be transforming into managed markets, and therefore, a world free from “dumping and antidumping” activities is far away.

A. Summary

General Agreement on Tariffs and Trade (GATT) defines dumping as the price of a product exported from one country to another in less than the comparable price for the like product when destined for consumption in the exporting country. GREG MASTEL classified the motivations of dumping into four categories: (1) over-capacity dumping, (2) government-support dumping, (3) tactical dumping (discriminatory pricing), and (4) predatory pricing. The company must be a going concern with profit maximization as one of its supreme objectives. When the company takes low-cost pricing as a competitive advantage, nobody has the right to prevent the
Companies take antidumping measures for five reasons: (1) protection of infant industry from foreign competition, (2) preemptive measures against monopolism, (3) barriers against unfair trade, (4) remedy for foreign market-access barriers, and (5) strategy to open closed foreign markets. There are two kinds of antidumping measures: antidumping laws and countervailing duty laws. Antidumping laws are designed to combat unfairly traded imports while countervailing duty laws aim at balancing the effect of foreign government subsidies by imposing offsetting duties. These antidumping measures have impact not only on foreign countries but also on domestic countries. Antidumping is so much a tactic to cope with dumping as protectionism. So long as dumping exists, a country feels it has the right to take antidumping actions.

Today no more than 40 countries have antidumping laws, though there are no less than 150 countries in the world. The United States has always taken the lead in formulating optimal antidumping and countervailing laws, in order to maintain fair trade practices and to open closed foreign markets. WTO provides a definition for dumping and countervailing activities, and guidelines to take counteractive measures against those countries that resort to unfair trade practices.

In recent years, there has been an emerging trend in the development of regional trading arrangements, regional trade blocs. EU, NAFTA, and ASEAN are the largest and most influential trade blocs to countries outside the blocs. They are most likely to erect barriers against foreign competitors while limiting their membership: bloc’s protectionism.

Dumping strategy works only when exporters’ home market is closed to imports and when governments’ subsidies exist. Companies pursuing a dumping strategy build up profits in a closed home market in order to support foreign dumping. Governments need to subsidize infant industry or industry vulnerable to foreign competition. In reality, a world perfectly free from trade barriers and government subsidies does not exist. Therefore, it is a foregone conclusion to say that a world free from dumping and antidumping practices will come in the future.

B. Conclusions

When I first thought of studying “dumping”, my whole idea was that dumping was a trouble maker as well as an unfair trade practice in international trade, embedding the possibility of leading to a trade war. But as the study went on, I found that antidumping measures were also unfair trade practices, no less than dumping. Besides, it is clear that antidumping measures have an impact on both dumping and dumped countries. Therefore, Hypothesis 1 and 2 both have been proven true. Here, my focal point of the study shifted to the issue of whether eliminating unfair trade practices and so cutting trade barriers really would cause economic growth. It is said that countries that participate in international markets enjoy more rapid economic growth. For example, growth rate per capital income in East Asian economies have dramatically exceeded those in Latin America and Africa
for a period of several decades. A key component of this growth has been strong export performance. In the formerly Communist economies of Eastern Europe and the Soviet Union, those economies adopting market-oriented reforms early—Poland, Hungary, and the Czech Republic—have enjoyed a more rapid return to growth (U.S. International Trade Commission, 1997).

Understanding trade’s contribution to growth is important because even relatively modest changes in the rate of economic growth can have dramatic consequences for standards of living over a generation or two, as seen above. Thinking of the current international trade that is in a pendulum between dumping and antidumping measures, the advent of a world free from unfair trade practices may be premature. But fair and orderly trade practices are indispensable for a continuous, harmonious growth of the world economy. In this regard, it is the World Trade Organization that is most expected to play a more aggressive role in opening closed markets, eliminating unfair trade practices, and contributing to the realization of truly free international trade.

No less important than the role of the WTO are those of each individual country and regional blocs. They are strongly required to act in conformity with the guidelines of the WTO.

REFERENCES

6. House of Representatives, Committee on Ways and Means, Department of Commerce Proposed Antidumping Regulations and Other Antidumping Issues, April 23, 1996