

How Dose Dumping Is Affecting The USA By Other Countries

Posted on October 18, 2019

Introduction:

Dumping means selling goods in a foreign market at a low rate. Dumping happens when firms sell products in foreign markets at a low rate because they produce more products according to their demands. After the fulfillment of the demands of the local market, they export extra products to other countries at very low rates because if they sell these products in their own local market, the rate of these prices will drop; due to that, they export this product to other countries (Mastel, 2016).

Dumping means charging a monopoly on the domestic market and charging a price equal to the cost of production less than the foreign market for the same product.

Discussion

There are three types of Dumping.

Sporadic dumping

Sporadic dumping is that type of dumping. When the production is more, and demand is less, you fulfill the demands of the local market and then export the surplus production to maintain your price monopoly. In sporadic dumping, it is unintentional that production is high and demand is low.

Persistence dumping

When products are sold in the local market at high prices, and the remaining products are sold at low prices in the foreign market, it is called persistence dumping. Persistence dumping is possible only if the demand for this commodity is less elastic in the local market and there is high demand in a foreign country or market (Mastel, 2016). In foreign markets, they sell products at low prices, sell high quantities and earn huge profits because the demand is highly elastic in the foreign market. The foreign customer is more attracted to foreign commodities because the price of that commodity is low.

Industrialists intensely produced more products without considering demand and supply.

Predatory dumping

In this, you sell a product for a very cheap or at a loss because you remove your competitor from the market. When you make a monopoly in the market, you raise the price of the product.

Objectives of the Dumping

Find a place in the foreign market.

Due to high competition in the foreign market, a monopolist sells his product at very low rates because he gets a position in the foreign market. He set low prices only due to high market competition.

To sell surplus commodity

Another main objective of the monopolist is to sell surplus products, which is over the local domestic demand. Most monopolist dumps those products that are surplus from their local market.

Expansion of their industry

Another objective achieved by the monopolist through dumping in other countries is to extend their industry; when he expands his industry in the result he produces products at a cheaper rate, and more products are dumped in foreign markets at lower cost.

New trade relation

Sometimes, monopolists dump in foreign countries to develop new trade relations with foreign countries. For this purpose, he sells products at a very low rate to develop new trade relations with foreign countries.

Effects of Dumping:

Dumping affects both the host state and the sender states.

Effects of dumping on host state:

The effects of dumping on a host state where the monopolists dump their commodity are based on the nature of the commodity and the time period of dumping, whether the time period is short or long

time period.

Suppose the monopolist dumps his product a short span of time in a foreign country when, it affects the domestic industry of the host state for a short span of time (Liu et al. 2016). Due to the low prices of the dump commodity, this product sells easily and within a specific time.

Dumping is harmful to the country that hosts it if this dumping is for a long period.

If the dumping product is common consumer good due to the cheap rate, it will change the demand for the good, and when after some time, the dumping will stop in the result the demand will reverse and change in the taste of the people will be harmful to the economy (Popescu et al. 2016).

If the dumped products are at a low price as capital goods, they will lead to setting up a new industry, but if the dumping is stopped in the result that industry will be shut down. Ultimately host country is at a loss.

In case a monopolist dumps his commodity in a foreign country at a very cheap rate to remove his competitor from the market in the beginning, the host state gets benefits from it, but in the long term, when the competition is ended, he sells his products at a high rate.

If the host country imposes a high tariff duty on the dumping products, it will equalize the prices of the dumping commodities and domestic commodities, which will benefit the host country. If there is a low tariff duty, it will benefit the monopolist if he sells his commodity at low prices.

Effects of dumping on exporting countries:

When the local consumer costs the products of monopolists at a higher cost as the result of surplus, they cannot get benefits from them. When surplus production is dumped in foreign countries, they cannot reduce the prices of products in the local market. Due to the export of surplus, local consumers cannot get the advantages of this overproduction.

The exporting country gets extra advantages when they produce a surplus they export and get extra benefits after fulfilling their local demands.

The exporting country or country that dumps their products in a foreign country earns huge foreign currency as the result of selling dumped products.

Dumping is a very serious issue in the international economic market. Dumping very badly effect the host economy, due to the dumping the national economy of the host country is fully destroy (Blonigen & Prusa, 2016). There are some actions taken by the host economy to protect their domestic such as quota, embargo barriers etc.

Effects of Dumping on the United States of America:

Dumping has very badly affected the United States. Overproduction in China and other states due to the high market value of United States these states dumped in the United States, the value of these dumped products is low as compared to the domestically produced products (Watson, 2014). Due to the huge difference between the prices of local production and the products that are dumped in the country, local production will be affected negatively because the consumers are more attracted to that product that cheap; due to this emerging concept, they will badly affect the local industrialist.

The emerging trend of consumers toward foreign products is very bad for the United States economy because due to the huge capital flow from the United States toward other foreign country (Watson, 2014). Due to the high ratio of dumping in the United States, the local industrialists face many difficulties competing with the businessmen who dump in the United States and local American businessmen who produce products in America and also sell in America. It is difficult for local American businessmen to compete with them.

Due to the high labor rate, the production costs are high, and due to labor costs in other countries such as China, where the cost of labor is low (Watson, 2014). Due to that, the prices of Chinese products are low as compared to American products.

According to these emerging moves of consumers towards foreign products new American administration takes some steps that help the United States local industry to stand on its feet.

To protect your domestic economy from dumping, states may take some steps such as quota, tariff duty etc.

America needs to adopt the following policies to protect your local business.

High tariff and duty:

To stop dumping, many countries impose high tariffs and duties on imported commodities. This policy will help to protect your local business (Blonigen & Prusa, 2016). Due to high tariffs and duties, the price of dumping and local commodities is equal, and it is difficult for the dumping goods to attract consumers.

Quota

Another that will be taken by American to protect their local economy is the import quota. When they impose quotas, it is difficult for foreign businesses to dump high ratios in America.

Embargo

Imposing an embargo on imports also helps the United States to protect its economy from foreign businessmen. There are many states that impose an embargo on imports to protect your local business.

These above-mentioned suggestions will help America protect its local market from dumping. If steps are not taken, dumping will very negatively affect the United States.

Conclusion

Dumping is a very serious issue in an international market economy. Many monopolists dump their products in a foreign country to stabilize the prices of products or to influence the foreign economic market. The main purpose of dumping is to build your monopoly in the local or foreign economy. Dump products are cheap and easily attract the consumer and the local economy suffers due to dumping. The American economy also faces many problems due to dumping. America mainly faces dumping issues from China. Chinese commodities are cheaper as compared to the United States and easily attract consumers, due to which the local American businessmen face troubles. It is needed that America take steps to protect their local businessman from foreign businessmen that dump products in America and sell out at low market rates. If the steps are not taken by the authorities, it will be very dangerous for the United States of America in the future.

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