# How Does Dumping By Other Countries Affect The USA?

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## 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 than their domestic markets demand. After fulfilling 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 prices will drop; due to that, they export these products to other countries (Mastel, 2016).

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

## Discussion

There are three types of dumping.

### Sporadic dumping

Sporadic dumping is a type of dumping that occurs when production is higher and demand is lower. A firm fulfills the demands of the local market and then exports the surplus production to maintain its price monopoly. In sporadic dumping, it is unintentional that production is high and demand is low.

### Persistent 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 persistent dumping. Persistent 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, firms sell products at low prices, sell high quantities and earn huge profits because the demand is highly elastic in the foreign market. Foreign customers are more attracted to foreign commodities because the prices of those commodities are low.

Industrialists intentionally produce more products without considering demand and supply.

### Predatory dumping

In this type of dumping, a firm sells a product very cheaply or at a loss because it wants to remove its competitor from the market. When it establishes a monopoly in the market, it raises the price of the product.

# Objectives of 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 wants to gain a position in the foreign market. He sets low prices only due to high market competition.

### To sell surplus commodities

Another main objective of the monopolist is to sell surplus products that exceed local domestic demand. Most monopolists dump those products that are surplus in their local markets.

### Expansion of their industry

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

### New trade relations

Sometimes, monopolists dump in foreign countries to develop new trade relations with foreign countries. For this purpose, they sell products at very low rates to develop new trade relations with foreign countries.

# Effects of Dumping:

Dumping affects both the host state and the exporting states.

## Effects of dumping on the host state:

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

Suppose the monopolist dumps his product for a short span of time in a foreign country; 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 dumped commodity, this product sells easily and within a specific time.

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

If the dumped product is a common consumer good, its cheap rate will change the demand for the good, and when the dumping stops after some time, the demand will reverse, and the change in the tastes of people will be harmful to the economy (Popescu et al. 2016).

If the dumped products are low-priced capital goods, they will lead to the setting up of a new industry, but if the dumping is stopped, that industry will be shut down. Ultimately, the 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 benefits from it, but in the long term, when the competition has ended, he sells his products at a high rate.

If the host country imposes a high tariff duty on the dumped products, it will equalize the prices of the dumped 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 local consumers buy the products of monopolists at a higher cost, they cannot benefit from surplus production. When surplus production is dumped in foreign countries, it cannot reduce the prices of products in the local market. Due to the export of surplus production, local consumers cannot get the advantages of this overproduction.

The exporting country gets extra advantages when it produces a surplus, exports it and gets extra benefits after fulfilling its local demands.

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

Dumping is a very serious issue in the international economic market. Dumping badly affects the host economy; due to dumping, the national economy of the host country can be severely damaged (Blonigen & Prusa, 2016). There are some actions taken by the host economy to protect its domestic economy, such as quotas, embargo barriers, etc.

## Effects of Dumping on the United States of America:

Dumping has badly affected the United States. Overproduction in China and other states, due to the high market value of the United States, causes these states to dump products in the United States; the value of these dumped products is low compared to 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 consumers are more attracted to products that are cheap; due to this emerging trend, local industrialists will be badly affected.

The emerging trend of consumers toward foreign products is very bad for the United States economy because it causes a huge capital flow from the United States toward other foreign countries (Watson, 2014). Due to the high ratio of dumping in the United States, local industrialists face many difficulties competing with 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, production costs are high, while labor costs in other countries such as China are low (Watson, 2014). Due to that, the prices of Chinese products are low compared to American products.

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

To protect its domestic economy from dumping, a state may take some steps such as quotas, tariff duties, etc.

America needs to adopt the following policies to protect its local businesses.

## High tariffs and duties:

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

## Quota

Another step that will be taken by America to protect its local economy is the import quota. When it imposes quotas, it is difficult for foreign businesses to dump high quantities in America.

## Embargo

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

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 a monopoly in the local or foreign economy. Dumped products are cheap and easily attract consumers, 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 than those of the United States and easily attract consumers, due to which local American businessmen face difficulties. America needs to take steps to protect its local businessmen from foreign businessmen who dump products in America and sell them at low market rates. If 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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