FACULTY OF JURIDICAL SCIENCES

Lecture-24

Anti-Dumping Duty

Anti-dumping duty is a tariff imposed on imports manufactured in foreign countries that are priced below the fair market value of similar goods in the domestic market. The government imposes anti-dumping duty on foreign imports when it believes that the goods are being "dumped" – through the low pricing – in the domestic market. Anti-dumping duty is imposed to protect local businesses and markets from unfair competition by foreign imports.

The duty is priced in an amount that equals the difference between the normal costs of the products in the importing country and the market value of similar goods in the exporting country or other countries that produce similar products. The anti-dumping duty can be anywhere from 0% up to 550% of the invoice value of the goods.

Role of the WTO in Regulating Anti-Dumping Measures

The World Trade Organization (WTO) plays a critical role in the regulation of anti-dumping measures. As an international organization, the WTO does not regulate firms accused of engaging in dumping activities, but it possesses the power to regulate how governments react to dumping activities in their territories.

Some government sometimes react harshly to foreign companies engaging in dumping activities by introducing punitive anti-dumping duties on foreign imports, and the WTO may come in to determine if the actions are genuine, or if they go against the WTO free-market principle.

According to the WTO Anti-Dumping Agreement, dumping is legal unless it threatens to cause material injury in the importing country domestic market. Also, the organization prohibits dumping when the action causes material retardation in the domestic market.

Where dumping occurs, the WTO allows the government of the affected country to take legal action against the dumping country as long as there is evidence of genuine material injury to industries in the domestic market. The government must show that dumping took place, the extent of the dumping in terms of costs, and the injury or threat to cause injury to the domestic market.

Calculating the Anti-Dumping Duty

The WTO Anti-Dumping Agreement allows governments to act in a way that does not discriminate between trading partners and honors the DATT 1994 principle when calculating the duty. The GATT 1994 principle provides a number of guidelines to govern trade between members of the WTO. It requires that imported goods not to be subjected to internal taxes in excess of the costs imposed on domestic goods.

Also, it requires that imported goods be treated the same way as domestic goods under domestic laws and regulations. However, it allows the government to impose a duty on foreign imports if they exceed the bound rates and threaten to cause injury to the domestic market.

There are several ways of determining whether an imported product has been dumped lightly or heavily, and the amount of duty to be applied. The first method is to calculate the anti-dumping duty based on the normal price of the product.

The second alternative is to use the price charged on the same product but in a different country. The last alternative is to calculate the duty based on the total product costs, expenses, and the manufacturer’s profit margins.