



ANTI-DUMPING DUTY - ECONOMY

News: The Directorate General of Trade Remedies (DGTR) recently recommended the imposition of an anti-dumping duty on aluminium foils imported from China. It found that Chinese imports had captured 30 per cent of the Indian market despite sufficient domestic capacity.

What's in the news?

Dumping

- Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.
- Because dumping typically involves substantial export volumes of a product, it often endangers the financial viability of the product's manufacturer or producer in the importing nation.



Anti-Dumping Duty = Normal Value - Export Value

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.
- Imposition of Anti-dumping duty is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. In the long-term, anti-dumping duties can reduce the international competition of domestic companies producing similar goods.
- It is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value.
- The use of anti-dumping measures as an instrument of fair competition is permitted by the World Trade Organisation.



ANTI-DUMPING DUTY



Domestic Government



Imposes Additional
Tax On Imported Goods



That are Sold Below
their Market Price

EXAMPLE



Country A manufactures
Toy Car at

\$75



Country B exports same Toy
Car to Country A at

\$50



Country A imposes
Anti-Dumping Duty on
Country B of

\$25

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.



Directorate General of Trade Remedies (DGTR)

- Directorate General of Trade Remedies (DGTR) is an apex national authority responsible for administering all the trade remedial measures which include:
 - Anti-Dumping Duties
 - Countervailing Duties and
 - Other Safeguard Measures.
- Established in 1998 as the Directorate General of Anti-Dumping & Allied Duties, it was renamed in 2018 as the Directorate General of Trade Remedies (DGTR).
- The Directorate General of Anti-dumping and Allied Duties (DGAD), Directorate General of Safeguards (DGS) and Safeguards (QR) functions of DGFT were merged into one single entity, DGTR, making it an integrated single umbrella National Authority.
- DGTR works alongside the Department of Commerce under the Ministry of Commerce and Industry.
- The Department of Revenue considers the recommendations of DGTR for imposing Anti-Dumping, Countervailing and Safeguard Duties.
- Trade defence support would be provided by the DGTR to our domestic industries and the exporters in dealing with the trade remedy investigations instituted by other countries against them.

Source: <https://www.thehindu.com/business/Economy/trade-ministry-proposes-anti-dumping-duty-on-chinese-aluminium-foil-imports/article68590606.ece>