Analysing the Effect of Imposing Anti-Dumping Duty on Chinese Products

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Abstract: ***The article aims to examine the effects of imposition of anti-dumping duty on chinese products.***

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Commerce and industry minister Nirmala Sitharaman on Wednesday August 09, 2017 said anti-dumping duty is in force on 93 products imported from China. These products fall in the broad groups of chemicals and petrochemicals, products of steel and other metals, fibres and yarn, machinery items, rubber or plastic products, electric and electronic items and consumer goods, among others. In the world of economics, dumping is a predatory pricing, especially in the sectors of imports and exports and happens when a manufacturer or exporter sells a products to another country at a price which is lower than the original manufacturing cost, or lower than the price of the same product in the home country.

Indian markets are flooded with cheap products from China thereby directly affecting the profitability of the domestic industry. The issue got highlighted when the big players in the Indian tyre industry requested Indian government to impose anti-dumping duty on import of Chinese truck and radial tyres.

Countries impose anti-dumping duties to guard domestic industry from surge in below-cost imports. These steps are taken to ensure fair trade and to provide a level-playing field to the domestic industry. If domestic industries are hurt, it has a multiplier effect on the economy in terms of effects on income and employment. Though such a move clearly benefits the economy in the short run however one must not ignore the effects that may arise thereafter.

Firstly, China may retaliate by imposing higher tariffs on India’s exports which include iron ore, cotton yarn, petroleum products, copper and chemicals. This may harm the bilateral trade relations or even result in a trade war to the disadvantage of either country.

Secondly, lower exports and higher cost of imports since most of the imported items are price inelastic in nature and essential ingredients in manufacture of productsof fast expanding sectors like telecom and powerin India, this would result in imbalances in the balance of payments account.

The effect of antidumping duty on producers of India would be a boost to domestic sales by making domestic products cheaper and more competitive as compared to the Chinese products further it would boost incomes and employment thereby triggering economic growth however this largely depends on the fact that Chinese imports are price elastic. Moreover, import duties may also contain imported inflation in the economy and for consumers it would definitely result in relatively low prices for domestic products and perhaps even better quality. However, with demand for foreign currency reducing due to fall in the demand for imports depreciation of the domestic currency may also be avoided as the country may not have a current account deficit or may move from a deficit to a surplus situation.

In view of the fact that free trade or trade with minimum barriers does give opportunities for improving efficiency and forces domestic industries to be competitive it is felt that protectionistmeasures like anti-dumping duties should only be employed on a short term basis. In the long runthe government should devise ways to increase the competitiveness of domestic industries and should boost production by increasing productivity and laying thrust on improving quality of indigenous products. This would not only increase exports but also with lower reliance on imports keep the balance of payments stable. Further employment, incomes and higher tax revenue from domestic production would also help to develop the economyas well.

References

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