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DUMPING

Khalikov Anvar Aghajonovich [1]

Annotation. *Such marketing activities as dumping, in the existing conditions of interaction between the market and the state, are subject to all kinds of suppression and sanctions. The problem of dumping companies is presented as a danger of a monopoly. However, the practice of lowering prices does not always mean the path to market monopolization and, on the contrary, it is the introduction of economic suppression by governments that often leads to the suppression of competition. Theoretical and experimental arguments in defense of free pricing are presented.*

Key words: *marketing, monopolization, duty, export, import.*

So, dumping is a practice of pricing and selling products in which the sale of goods is carried out at prices significantly lower than market prices (comparable to cost). Moreover, dumping can sometimes reach such extreme forms when the sale of goods is carried out by reducing its price below its cost level. This type of marketing activity is characteristic mainly of large businesses.

Cases in which dumping is most often used:

1) The need to win the required share of demand in the market in a short time.

2) The need to "highlight" the product, create an impression, make the consumer remember the product and know about it even when the price returns to the market level.

3) The need to present a full range of products indirectly (without using advertising in the media for a variety of reasons, for example). That is, the company attracts the buyer in the most effective way - practically with a free product - so that he would simultaneously study all the products sold.

4) The need to quickly sell illiquid goods.

It is worth emphasizing that one way or another, all this is achieved by suppressing competitors. From this conclusion arises the myth that this practice leads to the formation of an oligopoly in a certain industry. From this arises the opinion that it is necessary to carry out anti-dumping measures, introduce prohibitory laws, new taxes and duties. This position is justified by statements such as:

1) Dumping allows a company to suppress competitors and, by clearing the market, raise prices to a level above market levels.

2) Support for fair competition can only be achieved by limiting pricing policies.

3) For all goods there is a certain "fair" price, the threshold of which cannot be crossed.

However, the above positions are quite controversial. Legal barriers to entry into the industry can only be put in place by a state that favors monopolists. Accordingly, in a free market for a monopolist who has acquired market power through dumping, there will always be a threat of new competitors entering the industry.

[1] Chief Economist of "Bukhara Regional Government Health Department". anvarkholikoff@gmail.com

This means that he will need to maintain dumping prices indefinitely. This is tantamount to unprofitability. In the absence of government intervention, there will be no one to subsidize the unprofitable monopoly, and it will either raise prices, losing its advantage over competitors, or go bankrupt, also freeing up the industry. It follows from this that the monopoly cannot survive without external help. This means that the above-mentioned argument in defense of anti-dumping measures is untenable and that monopolization will be promoted not by market forces, but by political ones.

Perhaps the problem here is the confusion between so-called “market power” and political power associated with coercion, the exclusive right of which the state has. “Market power,” strictly speaking, cannot be called power, since the purchase of a product is a voluntary act.

One of the simplest and at the same time fundamental functions of the free market is price selection. Competition forces agents to reduce prices in order to attract consumers. Consequently, the ban on increased price reduction is a limitation of the competition mechanism. Therefore, the concept that postulates the support of competition by limiting it is obviously inherently contradictory.

Regarding the concept of a “fair” price, the following can be said. The modern market economy is based on the subjective approach of the value of goods that determines their price; accordingly, there can be no universal equivalent of justice in relation to the prices of goods. Some consumers are willing to pay more, some less.

A reproach to an entrepreneur who is ready to sell his goods at minimum prices is tantamount to a reproach to a person engaged in charity. After all, it can also be said against the latter that he, for example, gives clothes to an orphanage for free in order to reduce the turnover of merchants selling similar products, and when they go bankrupt, he will set an inflated price for the clothes.

Let's consider how a simple price reduction supposedly differs from dumping on a free market?

Prices are considered non-dumping if they:

1) Based on lowering production costs.

2) Based on repositioning of the product in the marketing program.

3) Based on reducing costs to ensure sales.

In these cases, prices will be higher than the cost of production. But even here there is a certain omission, an element invisible at first glance. An entrepreneur could take actions to reduce costs and benefit, but not put additional funds into circulation.

That is, keep them in a reserve fund for the future and neglect to increase the total capitalization (unlike, say, its competitors). Thus, the entrepreneur will be able to compensate for the temporarily lost profit from an increase in capitalization later by collapsing prices to an unprofitable level and staying (temporarily) afloat thanks to reserve funds.

It follows from this that dumping on the free market does not provide any absolute advantages (if the state does not subsidize individual companies from budget funds), because companies practicing this marketing activity have to sacrifice the scale of capitalization. The concept of export dumping occupies special attention in the topic under consideration. In international practice, the latter is defined as follows: if an exporting company sells goods in a foreign country cheaper than in its own, then this is dumping.

These rules are currently regulated by the WTO.

Despite the stated goals of reducing barriers to international trade, the WTO approves the practice of introducing additional duties on goods whose manufacturers supply them at reduced prices. The process of calculating dumping goes through a special investigation and statements to the competent authorities.

However, the policy of imposing additional duties is a direct path to monopolization of national markets. Different countries have different production levels, labor costs, raw materials costs, etc., which makes leveling prices in different markets impossible. An American company operating in China will be able to lower the price of its goods due to cheap labor (which Chinese businesses also use) in order to equalize their strength with the local manufacturer.

However, by imposing a special dumping margin on this company, in fact an additional type of tax, the Chinese government will give an advantage to the local company, which can now push out a competitor and raise prices (monopolize the market). Thus, whether the American company leaves the market or not, there will be a general rise in prices, which will not benefit ordinary Chinese consumers. The final conclusion of the theoretical analysis of the problem, namely the myth about the dangers of dumping, is that support for anti-dumping measures in the political, scientific and business environment can only play into the hands of lobbyists

forces wishing to narrow the front of competition and raise prices. Accusations of dumping allow the company to impose additional duties and taxes, which undermines to a certain extent its competitive potential in favor of future monopolists. Examples of this can be illustrated using the following cases of world practice. The US Department of Commerce has made a preliminary decision to impose new anti-dumping duties on imports of cold-rolled steel from Russia, China, Brazil, India, Japan, the Republic of Korea and the UK.

America resorted to tariffs during the investigation, which began due to a petition from American metallurgical companies - they accused manufacturers from other countries of dumping. The duty on Chinese cold-rolled steel reached 266% (Fig. 1) [1].

COUNTRY	DUTY AMOUNT
Japan	71.35%
Brazil	38.93%
Great Britain	from 5.79% to 31.39%
India	6.78%
South Korea	from 2.17% to 6.89%
Russia	14.76%
China	265.79%

Figure 1. Level of duties for importers of cold-rolled steel to the US market

As you might guess, such significant restrictions on imports provoked a rise in prices by local producers, who initiated the imposition of an additional duty.

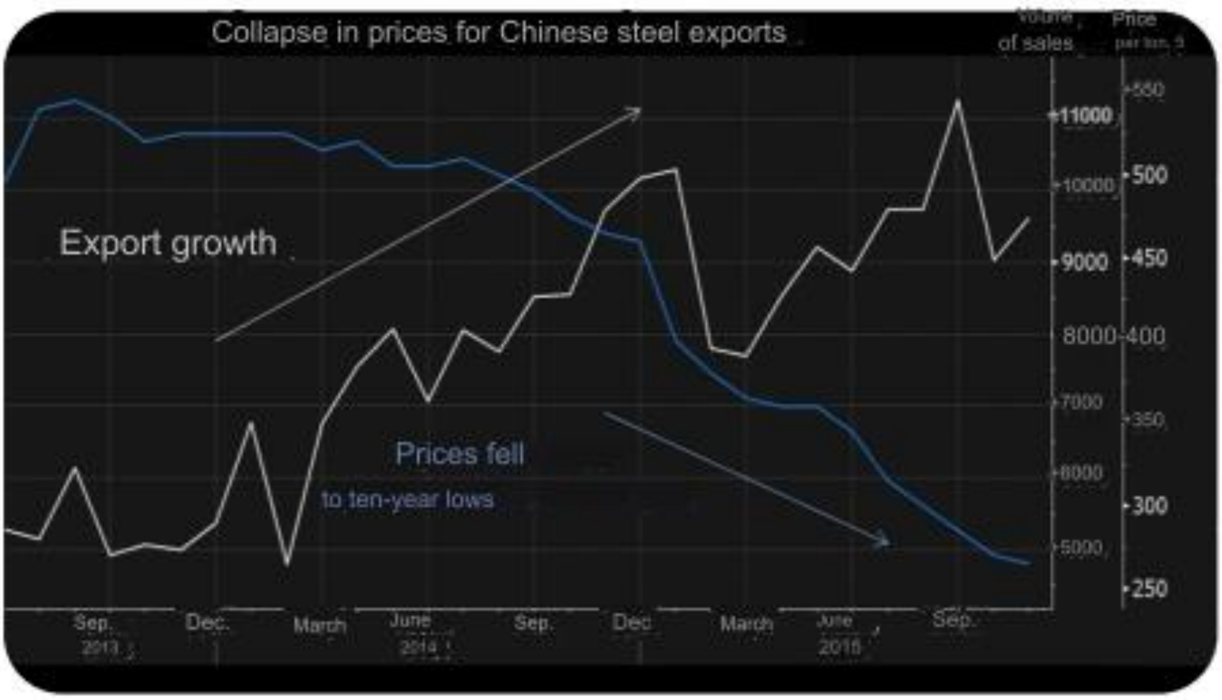

Figure 2 Dynamics of prices and volumes of steel exports from China

We can also recall the trade war between the EU and China, the escalation of which reached its climax in 2013. The war led to the imposition of reciprocal anti-dumping duties on some goods, notably Chinese solar panels and European steel pipes. Chinese industrialists have shown particular aggressiveness by beginning to involve government mechanisms to the maximum extent possible to support their own business. According to the European Commission, steel pipes exported to China are valued at around 90 million euros. However, after China introduced tariffs of 9.7–11.1% on European goods in November 2012, exports fell to less than 20 million euros [2].

Russia, in turn, does not use anti-dumping tools so often. In fact, it was only in 2011 that increased activity in this area began to be seen. At the same time, anti-dumping investigations are carried out within the framework of the Customs Union of Russia, Belarus and Kazakhstan. Thus, today there are 7 anti-dumping measures initiated by Russian companies. According to the table below, the main goods for which anti-dumping investigations were carried out in the Customs Union include metals and products made from them (Table 1) [3].

Product	Place of origin	Amount of antidumping duty	Validity periods of anti-dumping duties
Nickel-containing flat rolled	Brazil, China, Korea, South Africa	from 4.8% to 62.8% depending on the country	to December 25, 2013
products from corrosion-resistant	Ukraine	11.60%	to September 24, 2013
steel	China	19.40%	to June 16, 2013
Synthetic nylon threads	Ukraine	18.9 - 19.9%	to November 18, 2015

Bearing tubes	China	31.3% and 41.5%	to January 20, 2013
Casing, tubing and	Ukraine	26%	to June 26, 2014
oil pipelines	China	From 8.1% nto 26%	to June 30, 2017

Table 1. Main products for which anti-dumping investigations were carried out in the Customs Union

Considering the Russian experience of participation in anti-dumping investigations, it should be noted that a much larger number of measures were initiated against Russian exports than were introduced by Russia against foreign companies.

In particular, for 1995-2011. The EU imposed 17 anti-dumping duties against Russian companies, India - 14, China - 9, and the USA - 7.

Figure 3. Number of anti-dumping measures initiated by WTO member countries in 1995-2011. against Russian exports

So, economic theory and world trade practice clearly prove the inconsistency of the myth of the dangers of dumping, but demonstrate how such misconceptions can be beneficial to certain privileged groups. Thus, a favorable prospect for the development of marketing should be associated with the rehabilitation of such a concept as dumping and the curtailment of anti-dumping policies leading to trade wars, monopolization and enslavement of world economic relations.

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