SPORADIC DUMPING

Note by the Government of Canada

In an attempt to assist the members of the Group on Anti-Dumping Policies to form an idea about the problem of sporadic dumping, the delegation of Canada has transmitted to the secretariat the following note setting out the views of the Government of Canada on the problem. (This note is not a reply to the anti-dumping check list.)

1. The draft International Code on Anti-Dumping Procedures and Practices prepared by the United Kingdom delegation (document Spec(65)86) is directed to the problems caused by persistent dumping. The paper submitted by the United States delegation (TN.64/NTB/W/3) deals mainly with the same kind of dumping. One of the questions, however, raised in the latter paper relates to "end-of-season or end-of-run 'one shot'" dumping. Such disposals may be sporadic, intermittent or seasonal, depending on the circumstances. The existence of burdensome end-of-season and end-of-run surpluses is a frequent cause of such dumping. Other possible causes are: over-estimation of market demand by producers, over-ordering by users, strikes, bankruptcies and special situations relating to the disposal of off-quality goods.

2. Persistent dumping is generally associated with establishing or maintaining a long-run position in a foreign market. In rare instances the objective may be to eliminate a competitor in that market. Where that is the objective, prices will be reduced temporarily and then raised after the competitor is eliminated. More often, however, the motivation is not predatory. As a matter of policy, firms may engage in persistent dumping in order to develop secondary markets where they can sell a portion of their production on a regular basis at prices above prime cost, while maintaining higher prices in their protected home markets. Such dumping is not necessarily disruptive.
3. On the other hand, firms that practice sporadic dumping are not interested in the long-term development of the foreign market. Their objective is to dispose of a temporary surplus quickly and conveniently without disturbing their regular market. It is of little concern to them if their sales disrupt the other market, as they are bound to do if their volume is significant in relation to the size of that market.

4. While persistent dumping often occurs in regard to bulk raw materials and bulk intermediate products (e.g. heavy chemicals), sporadic dumping generally involves consumer goods or the more sophisticated intermediate products. It tends to be most damaging when it involves sales from a large highly industrialized market into a smaller market. If it arises in the reverse direction, the volumes are unlikely to be sufficient to have a seriously disruptive effect.

5. In at least some countries, many manufacturers, in particular large powerful manufacturers of branded or trademarked goods, maintain listed or "suggested" prices in their domestic market. Their contracts with their dealers and customers may specify that no sales (even of over-runs or seconds) shall be made at reduced prices in areas where they would compete with regular sales. In such situations, any surpluses are sold, often at substantially reduced prices, into the handiest export market available to them. If that market is relatively small, substantial disruption can quickly develop with serious effects upon producers in the recipient country.

6. The unexpected or "buy and run" feature of sporadic dumping creates particular difficulties for producers in a small market. They are seldom in a position to defend themselves. They plan their production and purchase their materials to meet the expected needs of their market, taking into account normal import competition. If the market is pre-empted or the price level is disrupted by goods dumped from abroad, the local producers have no choice but to dispose of their products at whatever they can get for them. This is a situation which needs to be dealt with.