

# **Anti Dumping: A Reaction to Trade Liberalisation or Anti Competitive?**

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## **1. INTRODUCTION**

The paper examines the changes in trade policy that occurred in South Africa with the simultaneous transition to democracy that occurred in the nineties. While the paper focuses on the application of anti dumping policy, this is examined within the context of both the liberalisation of trade and the reactions of the private sector to such liberalisation. The paper firstly traces developments in trade policy during the nineties, and the rationale for dumping is outlined. Using this theoretical analysis dumping actions that occurred in South Africa are analysed over the period 1992 to 1998.

## **2. REVIEW OF TARIFF POLICY**

Past development of the manufacturing sector in South Africa had been spearheaded by policies of import substitution for infant industries. This policy was reinforced by the need to achieve independence from the rest of the world for strategic reasons. Although the limitations of this approach had been recognised by government, the ability to encourage exports was always constrained by the political reality of sanctions. Despite these constraints since the early eighties the trade regime was gradually liberalised with the tarrification of quantitative restrictions, the adoption of a more flexible exchange rate and the provision of general incentives to exports.

However, it was only with the move to democracy in 1994 that significant trade reform actually occurred. The offer made by South Africa under the Marrakesh Agreement of the GATT has been viewed as remarkable in that it was negotiated before the elections that took place in April 1994 (ILO, 1999) by the National Economic Forum, a tripartite body consisting of government, labour and business. This agreement took effect in January 1995.

While in the past South Africa had used tariffs selectively to encourage industry, there is the view that this selectivity may have been curbed by the accession to the GATT agreement. Certainly this selectivity contributed to the view held by the World Bank that prior to the liberalisation effort, the protective structure ranked amongst the most complex in the world (Belli et al, 1993). The Tariff Rationalisation Process aims to simplify the tariff and suggests that increases in customs duties should not be used if anti-dumping or countervailing duties can be used.

**Table 1: Tariff Structure - June 1997.**

	Simple Average MFN tariff (%)	Range of Tariffs	Standard Deviation (%)	Coefficient of Variation
All Tariff lines	15.1	0 - 72	17.8	1.18
By Sector:				
Agriculture	5.6	0 - 35	8.9	1.59
Mining	1.4	0 - 18	3.4	2.47
Industry	15.6	0 - 72	18.0	1.15
By degree of processing:				
Primary goods	4.9	0 - 60	8.9	1.80
Semi-processed	18.6	0 - 50	15.9	0.85
Finished	13.8	0 - 72	19.6	1.42

Source: WTO, Trade Policy Review, 1998

As most quantitative restrictions were tariffed particularly in the agricultural sector, any estimates of increased nominal protection based on duties collected in the sector have to be viewed with caution. The simple average bound rate on all products is 19.8 per cent with maximum ceiling rates of 499.9 per cent on agricultural food and beverages giving policy makers a great deal of leeway to increase tariffs if need be. The WTO has calculated the main features of the tariffs on the basis of the *ad valorem* rates alone. These can be found in Table 1.

The average tariff for all tariff lines was estimated by the WTO at 15.1 per cent with a range of zero to 72 per cent in 1997. The average rate in industry is slightly higher at 15.6 per cent with the highest rate of 72 per cent, which is levied on textiles and clothing

imports. Motor vehicles enjoyed nominal protection of 57.5 per cent, although depending on their duty credits earned through exporting, so cars can be imported duty free. It is clear from these data that the liberalisation of trade since 1995 has resulted in a considerable lowering of tariffs on average. In addition, the range of tariffs levied has been reduced and the structure is being rationalised.

Estimates of the changes in effective protection have been made by several researchers including the Industrial Development Corporation (1997) and Fedderke and Vaze (2000). While these estimates were made under different assumptions, and with different levels of nominal protection<sup>1</sup>, both sets of estimates show declining levels of effective protection. Although increasing levels of effective protection were estimated for agriculture, tobacco and leather, as quantitative restrictions were phased out and replaced with equivalent tariffs it is more likely that the actual levels of nominal protection did not change. Textiles are shown in both calculations with significant increases in effective protection. Effective protection then declined at varying rates for the rest of industrial activity. According to the IDC the hardest hit industries were clothing (54 per cent), basic iron and steel (67 per cent), paints (89 per cent) and motor vehicles with a mere 6 per cent decline.

Table 2 shows the changes that have occurred in the import penetration ratios over the initial period of the trade liberalisation from 1993 to 1996. Aside from three industries, other chemical products, transport equipment and textiles, import penetration ratios have risen dramatically. It should be noted that during the liberalisation the textile industry was one of the few industries that had experienced an increase in effective protection<sup>2</sup>. Industries where imports have penetrated the market rapidly were footwear, plastic products, food industries, electrical machinery, wearing apparel and glass products. On

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<sup>1</sup> The Industrial Development Corporation uses scheduled tariffs, while collected duties were employed by Fedderke and Vaze. Collected duties have been found to be approximately 50 per cent on average below scheduled tariffs due to corruption, smuggling, rebates and allowances made.

<sup>2</sup> Care has to be exercised when attributing changes in import penetration ratios to changes in effective protection as changes in nominal protection impact on the demand side while effective changes affect domestic production decisions.

average the import penetration ratio rose from 18.5 per cent in 1993 to 26.1 per cent in 1996 providing evidence of the opening of the economy that gave consumers a greater range of goods at more competitive prices.

**Table 2: Import Penetration Ratios 1993 and 1996**

	1993	1996	% Change
Food industries	4.5	10.2	124.5
Beverage industries	3.5	6.1	75.3
Tobacco industries	3.0	4.0	33.5
Textile industries	28.9	27.6	-4.7
Wearing apparel, excluding footwear	3.3	6.9	109.2
Leather, products of leather and substitutes	22.2	40.3	81.5
Footwear	8.4	30.9	266.5
Wood and wood products, excluding furniture	13.9	16.6	19.2
Furniture and fixtures	2.3	4.5	95.6
Paper and paper products	8.1	14.8	82.7
Printing, publishing and allied industries	14.0	18.9	34.9
Industrial chemicals	16.0	23.7	48.2
Other chemical products	20.5	15.0	-26.8
Rubber industries	16.1	26.3	63.3
Plastic products, not elsewhere classified	5.5	16.5	197.8
Pottery, China and Earthenware	27.3	57.1	108.9
Glass and glass products	9.3	18.7	100.9
Other non-metallic mineral products	8.7	15.3	76.3
Basic iron and steel industries	8.9	17.7	99.2
Basic non-ferrous metal industries	12.3	23.8	93.0
Fabricated metal products	16.1	17.7	10.2
Machinery, except electrical	43.1	59.4	37.7
Electrical machinery, apparatus and supplies	28.3	61.7	118.2
Motor vehicles, parts and accessories	29.1	35.8	22.8
Transport equipment, not elsewhere classified	56.7	34.0	-40.0
Other producers	70.4	75.9	7.9
<b>Average</b>	18.5	26.1	

Source: Own calculations on data from Central Statistical Services

### 3. INSTITUTIONAL STRUCTURES

Although trade and industrial policies in South Africa are formulated and coordinated by the Department of Trade and Industry (DTI), changes in policy can also be initiated from other government departments including the SA Reserve Bank and the Department of Finance. The Board on Tariffs and Trade (BTT) and the Industrial Development Corporation (IDC) perform advisory and investigative roles in the formulation of trade

policy. The BTT is appointed by the President, and the IDC is a parastatal investment corporation that has developed some considerable expertise in trade analysis. The role of the BTT is to promote growth in industry; investigate at the request of the private sector the imposition of additional protection to aid the development of the economy; investigate cases of dumping and disruptive competition and advise the Minister of Trade and Industry accordingly (BTT, Annual Reports).

The BTT considers applications for protection on the basis of their contribution to the economy, their export potential, local content, value- added and growth in the industry. With applications for anti-dumping duties on the other hand, the dumping margins, increased import volumes and their impact on the domestic industry including a variety of economic factors and calculations of firm specific indices, have to be established.

Table 3 shows that the total number of applications made to the BTT increased markedly up until 1994. In 1995 the GATT agreement was implemented into law and applications declined thereafter. What is of interest however, is that after 1994 the proportion of applications supported by the Board rose.

**Table 3: Total Applications to the Board of Tariffs and Trade 1990 – 1998**

<i>Year</i>	<i>Brought forward from previous year</i>	<i>Received in current year</i>	<i>Total</i>	<i>Supported</i>	<i>Rejected</i>	<i>Total</i>	<i>% of Total Supported</i>
1990	97	418	515	155	198	353	43.9
1991	96	474	570	174	172	346	50.3
1992	140	455	595	130	220	350	37.1
1993	145	466	611	140	321	461	30.4
1994	69	612	681	187	264	451	41.5
1995	171	345	516	157	184	341	46.0
1996	89	254	343	101	90	191	52.9

1997	123	258	381	94	73	167	56.3
1998*	160	231	391	105	96	201	52.2

Source: Holden and Casale, 2000

\*Applications for 1998 do not include anti-dumping

As the focus of this study is the requests by firms for protection , these were isolated in Table 4. The data show that there is some support for the view that the number of applications for increased protection declined after 1994 and that initially in the years 1995 and 1996 requests for anti -dumping duties rose. This tendency was obviously in accordance with the TRP recommendations.

**Table 4 : Applications for Increases in Protection**

<i>Year</i>	<i>Total Applications</i>	<i>Increase in Duty (% of total)</i>	<i>Antidumping (% of total)</i>	<i>Other (% of total)</i>
1990	106	58	18	24
1991	164	51	18	31
1992	130	61	18	21
1993	73	66	15	19
1994	71	69	16	15
1995	51	67	24	9
1996	58	52	35	13
1997	93	53	8	39
1998	77	29	21	50

Source: Holden and Casale 2000

\*The category “Other” consisted mainly of applications for withdrawal of rebates.

Table 5 analyses these applications in more detail showing the measure of success of the applications in the categories of requests for increases in tariff duties, and anti-dumping duties.

**Table 5: Applications for Increases in Tariff Duties and Anti-dumping Duties**

<i>Year</i>	<i>Brought forward from previous yr</i>	<i>Received in current yr</i>	<i>Total</i>	<i>Supported</i>	<i>Rejected</i>	<i>Total</i>	<i>% of Total Supported</i>
<b><i>Increase in Duty</i></b>							
1990	39	61	100	27	35	62	43.5
1991	20	83	103	41	22	63	65.1
1992	28	79	107	17	31	48	35.4
1993	37	48	85	18	43	61	29.5
1994	6	49	55	11	18	29	37.9
1995	25	34	59	20	11	31	64.5
1996	16	30	46	10	10	20	50
1997	22	49	71	19	6	25	76
1998	35	22	57	20	9	29	69
<b><i>Anti-Dumping</i></b>							
1990	5	19	24	7	9	16	43.8
1991	6	29	35	8	12	20	40
1992	8	23	31	2	7	9	22.2
1993	12	11	23	5	4	9	55.6
1994	7	11	18	5	3	8	62.5
1995	9	12	21	4	3	7	57.1
1996	10	20	30	6	1	7	85.7
1997	23	7	30	11	3	14	78.6
1998	8	16	24	-	-	-	-

Source: Holden and Casale, 2000

The proportion of applications that were supported in both categories is shown to have risen. Applications for increases in tariff duties that were reviewed by the Board in that particular year enjoyed an increased level of support that rose from an average of 42 per cent in the period 1990 to 1994 to 65 per cent in the period 1995 to 1998. Antidumping applications also enjoyed increased support, rising from 45 per cent to 74 per cent on average over the same periods.

#### 4. DEFINITIONS OF DUMPING

The relationship between anti dumping and competition policies is a much debated one. The imposition of anti dumping duties against foreign imports has been justified on the grounds that they provide protection for domestic producers against unfair competition on the part of foreign monopolists and competition policy protection against domestic monopolists. However in tracing the development of antitrust and antidumping rules in the United States, Sykes (1998) finds that although both were justified initially on the economic efficiency grounds of providing protection to consumers and competition generally from the abuse of monopoly power, there has been a divergence. Antitrust legislation is used mainly for the protection of small business, while antidumping is directed at protecting domestic producers. Anti dumping decisions appear to make little reference to the exercise of monopoly power. Anti dumping is now considered to be a more invidious form of contingent protection (Prusa, 1999). It is therefore important to distinguish and identify the different types of dumping in order to appreciate why the rationale for these laws and their actual application has diverged over time.

Traditionally dumping is defined as selling a good in the foreign market at a price below that charged for the same good in the home market<sup>3</sup>. Clearly this is price discrimination however, theoretically it is understood that this discrimination between markets is not harmful to welfare. Furthermore, monopoly power is not a necessary condition for price discrimination to occur. Even perfectly competitive firms could price exports below home sale prices where the incentive to produce for the two markets is differentiated by an export subsidy with tariff policy. A recent study of Taiwanese electronics demonstrated the existence of such price differentials that is attributed to trade policy that raised the domestic prices. Firms operating in both the domestic and export market were able to cross subsidise their entry into export markets from higher profits garnered in the domestic market that operated under very competitive conditions (Aw *et al*, 2001).

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<sup>3</sup> The prices that are compared are net of the costs of transportation.

In South Africa under the Board on Tariffs and Trade Act of 1986, dumping is defined as follows:

(a) When the “*export price*”<sup>4</sup> is lower than the “*normal price*” at which similar goods are being sold in the ordinary course of trade in the exporting country, for consumption there;

In the absence of such a normal price, then dumping is considered to have occurred when the export price is less than the normal price where the normal price is determined as

(b)... the highest *comparable price* at which similar goods are exported in the ordinary course of trade from the exporting country to any *third country*; or

(c)... made up by the Board from the *cost of production* or the estimated cost of production of the goods concerned in the country of origin and any other costs and profit which the Board deems reasonable.

## 5. CATEGORIES OF DUMPING

In order to analyse dumping both theoretically and empirically it is necessary to categorise and classify the type of dumping by drawing on a framework provided in a recent paper by Willig (1998). The distinction is drawn between monopolising and nonmonopolising dumping. There are two sources of monopolising dumping namely strategic and predatory. Nonmonopolising dumping consists of market expansion, cyclical and state trading dumping. Tables 6 and 7 describe, identify and summarise the impacts of different forms of dumping. Table 6 considers the more benign form of dumping in terms of its impact on world welfare, what is termed nonmonopolised dumping.

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<sup>4</sup> The export price is the price actually paid net of all taxes, discounts and rebates actually granted. When the export price is considered to be unreliable the BTT constructs the price.

**Table 6: Non Monopolising Dumping**

Category of Dumping	Description	Identification	Impact
Market Expansion	Expansion of sales by price discriminating based on different elasticities of demand in the home and foreign market	Export price less than normal price. Home market bias leads to lower elasticity of demand in the home market, while export market has many competing alternative sources of supply.	Impacts adversely on consumers in the exporting country who pay higher prices. However, to the extent exports expand, and growth ensues so these consumers will also benefit. Benefits consumers in importing country and harms producers.
Cyclical Dumping	Exports priced at very low prices in the presence of excess capacity due to depressed demand	Export price below “full cost” and low marginal costs.	Enables home country to cover average variable costs and maintain employment. Benefits consumers in importing country but may harm producers.
State Trading	Exports from state owned industries in economies with inconvertible currencies	Export price below cost based on constructed values. Sometimes third country prices are used as well.	Earns “hard” currency for the non market country. Benefits consumers in the importing country but harms producers in the importing country.

Although in general nonmonopolising dumping is not considered deleterious to world welfare, there may be one exception if the dumping transfers rents to exporters. If the local manufacturers are earning profits through the exercise of market power, or where the social benefits are greater than market returns, these low prices impose social and financial losses. Where local producers are perfectly competitive, the benefits to consumers outweigh the loss to producers who are injured by the dumping. Barriers to entry are low and importers will be unable to exercise market power. However, where local producers have market power and rents are transferred “it is possible, but by no means assured, that nonmonopolising dumping causes greater aggregate social loss and injury to domestic import competing suppliers than benefits to domestic buyers” (Willig, 1998, p67). This point will be returned to in the analysis of the experience with dumping in South Africa.

**Table 7: Monopolising Dumping**

Category of Dumping	Description	Identification	Impact
Strategic Dumping	Exporting from a protected home market in an industry with high sunk costs enjoying economies of scale	<ol style="list-style-type: none"> <li>(1) Protected home market for exporter</li> <li>(2) Economies of scale</li> <li>(3) Large protected home market adversely affects rivals, because they cannot enjoy economies of scale</li> </ol>	<ol style="list-style-type: none"> <li>(1) Limits the size of the market for rival suppliers.</li> <li>(2) Raises costs in the importing country</li> <li>(3) Inhibits competition at home</li> <li>(4) Leads to market domination and abuse of market power.</li> <li>(5) Negative effects in importing nation are likely to outweigh the positive benefits to the exporting country.</li> </ol>
Predatory-Pricing Dumping	Low priced exports to drive rivals out of business to gain monopoly power. Present sacrifice for future greater gain.	<p>Below cost pricing that</p> <ol style="list-style-type: none"> <li>(1) endangers ability of domestic firms to remain in the market.</li> <li>(2) Captures a market that is presently concentrated.</li> <li>(3) Collusion is aided among dumpers.</li> <li>(4) Operates in a market with high entry and reentry barriers.</li> </ol> <p>Note the existence of injury is insufficient to establish predation</p>	Anti competitive effects in the importing market because foreign suppliers can exercise monopoly power over domestic consumers by raising price after destroying alternative domestic sources of supply.

Monopolised dumping on the other hand is clearly injurious to the importing country and can be used to justify the use of antidumping policies to support and protect competition in a country. The use of antidumping policy on the other hand to counteract nonmonopolising dumping is primarily designed to protect domestic producers and is another form of contingent protection.

## **6. EXPERIENCE WITH DUMPING IN SOUTH AFRICA**

Antidumping measures are governed by the Customs and Excise Act and the Board on Tariffs and Trade Act. The regulations in these acts have been amended from time to time particularly in order to comply with the requirements of the WTO agreements on antidumping, countervailing and safeguard measures.

Requests for antidumping relief are made to the BTT after which recommendations are made to the Minister of Trade and Industry. The Minister of Finance may in response to the Minister of Trade and Industry impose or adjust antidumping duties. If after initial examination the BTT finds evidence regarding dumping and injury, provisional antidumping duties can be imposed as a measure of interim relief for domestic industry.

The analysis that follows covers the applications for antidumping duties that have been made to the BTT over the period 1992 to 1998. Drawing on Willig's framework we attempt to identify the different types of dumping distinguishing those considered to be socially harmful in terms of establishing monopoly power for dumping firms over dumped upon firms and consumers in the importing country. These cover the categories of monopolised dumping, strategic and predatory.

The presence of strategic dumping can be detected if all of the following are present (see Table 7):

- Protected home market for the dumping firm
- Economies of scale and little competition internationally
- Rivalrous behaviour to damage the domestic firm

Predatory dumping on the other hand requires the presence of (see Table 7)

- The domestic industry must be concentrated

- The number of foreign sellers must be small
- Import penetration must be high
- Existence of barriers to entry

The applications that were made for antidumping duties were evaluated in terms of these criteria in order to judge whether there was a likelihood of monopolised dumping occurring into the South African market. Where dumping was found by the BTT to have occurred the individual applications were then examined for the presence of all of these characteristics. These are summarised in Table 8.

**Table 8: Characteristics of Successful Antidumping Applications 1991-1998**

Product	Source of Dumped Products	Initiation Date	Domestic Concentration	Present Duty (%)	Import Penetration (%)
Roller Bearings	USA	Jan 92	One manufacturer	20	53
Acetaminophenol	China Hong Kong India Singapore	Oct 92	One manufacturer	15	16
Titanium Dioxide Pigments	Australia Finland	Oct 92	One manufacturer	15	28
Shovels, Picks, Forks, Rakes	China Hong Kong	Nov 92	One manufacturer	25	21
Flat Glass	China Hong Kong Thailand Singapore	Nov 92	One manufacturer	15	16
Hoes	China	Dec 92	One manufacturer	25	56
Bed Linen	Pakistan	Mar 93	Five firms	43	20
Laundry Dryers	Australia	Feb 94	Three manufacturers	19	32
Carbonless Copying Paper	UK Germany	May 94	One manufacturer	15	75
Hydrogen Peroxide	Italy Taiwan	Jan 95	One manufacturer	10	20
6PPD Rubber Chemical	Belgium Germany UK Spain	May 95	One manufacturer	22	21
Picks	India	Jun 95	One manufacturer	23	21
Suspension PVC	Brazil France UK Germany Brazil Belgium Netherlands Spain Canada Japan Korea Taiwan	Oct 95	One manufacturer	10	20
Hydrogen Peroxide	India	Aug 95	One manufacturer	10	20
Polytetrafluoroethylene tape:plumbers tape	China	Nov 95	One manufacturer	28	21
Indigo Blue Discharge material	China	Jun 96	One manufacturer	10	24
SPVC	Brazil	Oct 95	One manufacturer	10	24

<b>Product</b>	<b>Source of Dumped Products</b>	<b>Initiation Date</b>	<b>Domestic Concentration</b>	<b>Present Duty (%)</b>	<b>Import Penetration (%)</b>
Circuit Breakers	France Italy Spain Switzerland Japan	Mar 96	One manufacturer	15	31
Insecticide	USA	May 96	One manufacturer	free	24
Ampicillin and Amoxicillin	India	Oct 96	Pharmacare 50 per cent of market	free	24
Polyethylene Battery	USA	Nov 96	One manufacturer	free	30
Acrylic Fibre	Portugal	Jun 96	One manufacturer	free	24
Cotton Underwear	China	Jun 96	Many producers	72	8
Glass Microspheres	Austria Belgium UK	Jun 96	One manufacturer	20	20
Stainless Steel Holloware	Korea Hong Kong China Taiwan	Oct 97	5 firms	30	13
Car Tyres	Korea Mozambique Taiwan	Jun 96	Many producers	40	30
Cut Paper	Brazil Indonesia	Apr 98	Two firms	16	15
Hot Rolled Steel Plates	Brazil Ukraine Russia	Jul 98	Two firms	5	12
Ceramic Tiles	Italy	Jul 95	Many producers	21.5	13
Stainless Steel Tubes and Pipes	Malaysia Korea Taiwan	Jun 98	One manufacturer	10	15
Carbon Black	Egypt India Korea	Jul 98	One manufacturer	10	20
Electric Cable	India	Jul 98	Two firms	15	32
Stainless Steel Sinks	Egypt Malaysia Korea	Sep 98	Three firms	20	15
Acrylic Blankets	China Hong Kong India Korea Turkey	Apr 98	Many producers	43	27
Nuts and Bolts	Australia China Hong Kong Malaysia Saudi Arabia Spain Taiwan Zimbabwe	Jul 98	Many producers	free	16

Source: BTT Reports, Tariff data and Import penetration ratios from TIPS Web site.

Table 8 shows the characteristics of those applications that were successful in their application for antidumping duties. Sixty one per cent of dumping exporters were located primarily in Asia in the countries China, India, Korea and Taiwan. The BTT tended to treat imports from Hong Kong as originating in China as reexports<sup>5</sup>. European exporters followed with 17 per cent, and USA, Brazil and Africa with 6 per cent each.

Aside from four products, blankets, cotton underwear, bed linen and car tyres, the products can be classified as intermediate in the production process. The existing levels of protection on the final products were high with import duties of 43 per cent on blankets and bed linen, 72 percent on underwear and 40 per cent on tyres. Protection of intermediate products has always been low in South Africa even before the trade liberalisation that occurred in the latter part of the nineties. Import duties ranged between a zero rating and 28 per cent. A simple unweighted average of the import tariffs from 1992 to 1994 is 21 percent. From 1995 to 1998 the average tariff fell to 16 per cent. Clearly the impact of liberalisation was also reflected in the 23 per cent reduction in duties. However, when antidumping duties ranging between 15 and 202 per cent and averaging 52 per cent were imposed by the BTT they bore little resemblance to the average duties in the South African tariff schedule, either before or after the liberalisation.

A striking feature of the successful applications is the extreme concentration among domestic producers. Sixty nine per cent of the applicants were the sole manufacturer of the product in South Africa. It wasn't clear from the individual reports the extent to which foreign producers were concentrated however. Given the small size of the South African market in the world economy the existence of few foreign suppliers to the market is not necessarily *prima facie* evidence of the exercise of monopoly power. What is important is the presence of alternative sources of supply that would discipline the

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<sup>5</sup> This means that tests for dumping from these two countries used third country prices to establish the presence of dumping. Given the very low wage rates in China it isn't surprising that dumping was found.

foreign suppliers in the South African market in the sense that consumers would be able to switch suppliers in the event of the anticompetitive behaviour.

Applying the framework developed in Table 8 above the South African experience with dumping is analysed. The aim of the research is to establish the extent to which such dumping displays anticompetitive behaviour by foreign suppliers. Firstly, world wide there are sufficient suppliers of these particular goods. The dumped imports are for the most part intermediate type goods reasonably standardized and therefore difficult to monopolise. The BTT had little difficulty establishing in all cases that the imported goods were sufficiently similar to warrant comparison on price differentials. In terms of the domestic market however, it was very clear that domestic industry in South Africa remains heavily concentrated. In most cases the monopolist firm applied to the BTT successfully making the case for dumping and proving injury. Otherwise applications were made on behalf of the injured firms by the manufacturers relevant association.

In order to make the case for anticompetitive behaviour it has to be shown that the number of foreign suppliers is low in number, the domestic producers are similarly concentrated and that imports have made large inroads into the domestic market. Therefore, those applications with import penetration ratios exceeding 20 per cent were examined. Then those where there was more than one domestic manufacturer and or more than one country or supplier mentioned in the report these were excluded<sup>6</sup>. Two applications remained – roller bearings from the USA and picks from India. We can exclude picks for even though other producers were not mentioned in the report an earlier case found China to be a significant supplier of picks as well. However, the roller bearing case is interesting in that Brenco, the American firm is one of the largest producers in the world.

In conclusion, it was found that only three per cent of the successful applications were likely to have involved anticompetitive behaviour on the part of the foreign suppliers.

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<sup>6</sup> Where China is the offending supplier these applications were excluded on the grounds that there were always third country comparisons that could be made and the dumping would therefore be classified as state trading.

This compares with the finding by Shin that 23 per cent of antidumping investigations in the USA over the period 1981 to 1989, involved cases of predation.

## **CONCLUSION**

An examination of the applications for antidumping duties suggests that dumping that had occurred in the South African market had primarily been driven by considerations of market expansion, cyclical changes in the world economy and state trading. During the period under investigation the world economy was in recession from 1990 to 1994 and the shock of the East Asian crisis of 1997 was reflected in a sharp decline in growth particularly in East Asia. The number of new antidumping cases initiated rose markedly in 1991 and 1992 and once again in 1996 and 1997.

The BTT reacted to the trade liberalisation in South Africa by firstly dealing sensitively with applications for protection that may have involved employment issues (Holden and Casale, 2000). Secondly, their support for dumping applications rose significantly. Unfortunately this strategy could only be achieved at the cost of introducing the use of contingent protection which compromised the rationalisation of the tariff structure.

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