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DUMPING.

Even people who are in general opposed to trade barriers will condemn dumping. However, people are often unclear about just what dumping is or what commercial and economic principles are involved.

Goods are said by Australian Customs to be dumped when they are purchased for import to Australia at prices below that at which they are sold in the country of origin, or purchased below a price determined by reference to normal commercial practice in the country of origin.) Either test might be applied. They are both more restrictive tests than those of our Trade Practices Act against unfair trading by Australian producers against each other.

He who supplies goods or services below the cheapest they can be bought elsewhere, subsidises his customers. In the first instance at least, when it actually occurs, dumping subsidises Australian consumers and raises living standards.

To take a recent example: a common fertiliser (DAP) has been subjected to dumping duties. The government has raised the price of DAP and lowered Australian farmers' incomes. Foreign suppliers have not been forced to subsidise the government in lieu of the Australian farmer. Far from it; since subsidising the government won't sell another tonne of DAP, they have raised their prices to avoid the duty. Australians taken together are now a little bit poorer than they need have been.

Clearly a dumped product displaces jobs in competitive Australian industry and equally clearly those who buy dumped goods have the money they have saved to employ people. Since cheaper imports leave us wealthier than more expensive imports, at constant wage levels, the jobs gained should exceed the jobs lost due to cheap fertiliser. It is the same with any other cheap import.

The case that can be made against dumping is the case against predatory pricing. It is possible that a foreign supplier will cut prices, remove a local industry and raise prices later. After all competition has been eliminated, the predatory dumper must be in a position to maintain his monopoly, otherwise others will gain the benefits of his losses. Predatory dumping is possible but the circumstances under which it is profitable are so rare that in practice it hasn't happened. It can not be profitable where there are several potential suppliers.

Predatory dumping should not be confused with price discrimination. It may pay a supplier who enjoys a monopoly in part of his market (the home market) to meet all his overheads from that market, selling more cheaply (down to marginal cost) to everybody else. That circumstance is a permanent advantage for the purchaser for which he should be grateful.

Dumping is not easily identified; the rules are vague and data hard to establish. The temptation for everybody to fib a little is always a problem. Even genuine disagreement is normal. The authorities, who in practice have considerable discretion, have the power to destroy an importer's or his competitor's business. Bureaucrats don't always have the wisdom of Solomon and unlike Solomon they gather and assess evidence in private. They are as diligent as they can be expected to be in such circumstances but it is inevitable that squeaky wheels get most oil.

A local manufacturer, faced with foreign competition, has very little to lose by crying "dumping", but a wrong claim can be very costly to importers and consumers. When dumping is alleged the Customs Department makes a preliminary investigation; if it believes that there is prima facie evidence of dumping, the Australian importer is required to lodge cash securities which may be held 120 days without interest. The securities are retained, in full or in part, where dumping is found following fuller investigation. Duty can be assessed retrospectively to the date of application. It doesn't take much imagination to see what the procedure can do to an importer's business. While I was an MP, I had one case of a wrong dumping claim brought to my attention that apparently ended in bankruptcy. Last year even the importers' right to argue that the department is wrong in law was taken away.

In October last year ICI and B.F.Goodrich gained the protection of anti-dumping duties against PVC resin from which pipes, electrical cable and a wide range of industrial goods are made. The case shows how vague the rules are and how much discretion is thrust upon the department.

The legislation requires comparison of the export price from the supplying country with the price paid "in the normal course of trade" in that country. Australian Customs seem to have taken it into their heads to interpret "in the normal course of trade" as though businesses did not normally show losses.

If the same test were to be applied to BHP's steel exports, General Motors car exports, and the Australian wheat and wool harvest last (drought) year, these were all dumped on world markets.

PVC can either be made from scratch as it were, and ICI does this; or it can be made from an imported material VCM which is allowed in at only 2 % duty, and both ICI and Goodrich do this. VCM is also selling on the world markets at distressed prices, so by buying their raw material at "dumped" prices and selling the product at "normal" prices they are in a position to either do very nicely or cover over much inefficiency. If they are paying more than world market price for VCM, then they are transferring profits to related overseas companies, to Australia's cost.

Australian PVC manufacturers now enjoy a 30% ordinary duty, and a very much higher level of protection from the 27% dumping duty and the natural protection of whatever it costs to ship PVC to Australia. If, following the Summit, the government is serious about helping the housing industry it might consider reducing the protection of PVC manufacture. If it wants to help the whole economy, and be just to all parties, it might make the anti-dumping procedures more rational, equitable and open.

According to the Australian Independent Steel Association, Lysaghts are currently selling galvanised sheet steel in Australia for about $750 per tonne and on the West Coast of U.S.A. for $564 per tonne.