What is the difference between dumping and subsidies and what is to be establishe...

Business

Dumping and Subsidies al Affiliation: Dumping and Subsidies Dumping occurs when goods are sold to importers in the local market at prices that are less than the selling price of the goods in the country of origin. It also occurs when imports are sold in the local market at unprofitable prices. The sale of dumped products is not prohibited by law in many countries. In case an injury is caused as a result of dumping, e. g. the imports are harmful to the fair trade between the two countries; the country of import can take stern measures through the introduction of dumping duties (Huang, 2003). On the other hand, subsidizing occurs when the foreign government provides financial assistance to goods imported in the local market. Some of the common subsidies may include loans at low interest rates, grants, and tax incentives. The amount of goods that have been subsidized may be offset through applying the countervailing duty (Giannakopoulos, 2004).

In every subsidy and dumping investigation, it is to be established whether an industry has been injured or threatened with a material injury by the imported products. In addition, it must establish whether the industry has become materially retarded because of the imports that are under investigation which have been sold at lower prices than the fair value in the local market or subsidized. In case the investigations turn negative, the case is terminated. However, in case the investigations turn negative, the extent of injury is determined whether it is negligible (Bentley & Silberston, 2007). In case it's not, a countervailing duty is issued and enforced by the custom Service.