

GATT, Antidumping, and Protectionism and Those That Incur the Costs

By Alfredo Marcolin Peringer

Translation by Joao Martins

Antidumping is one of the measures of “trade defense” utilized against countries that conduct dumping. Dumping, according to GATT, is an unfair trade practice, that involves the “placement of great quantities of products in a foreign market at extremely low prices”. Pursuant to Article VI in the GATT, countries that are victims of dumping are permitted to conduct antidumping measures. These measures include the use of retaliatory sanctions when imported products are deemed to be below “normal price”. The use of these sanctions as a tax, devalues the reasoning behind their use, which can originate from either dumping or other unfair trade practices.

Some jurists would go so far as to condemn the transformation of antidumping sanctions into taxes, as these cannot have an illegal act as a taxable transaction, at least in Brazil. To economists, that uproar is not relevant. The GATT (General Agreement on Tariffs and Trade) was originally created in 1948, with the duty of regulating ongoing trade disputes. One of the major concerns of the GATT was the rampant use of discriminatory business practices in the decade prior to its inception. The GATT obligated all member nations to provide equal trade terms to its trade partners. The GATT’s intent was to eliminate the trade disputes of the 1930s that greatly hindered trade relations, and imposed great costs on consumers. For example, the GATT began to condemn import quotas, a trade restriction by which countries limit what they will allow to be imported from another country, oftentimes discriminating against their domestic businesses toughest competitors. Moreover, the GATT also began to crack down on the favored nation status, since membership to the GATT was to have afforded all members equal status. In sum, tariff rates were to be the same for all. But what would these rates be?

With the creation of that international organization, negotiation began over a very complex tariff system for member nations. There exists an abundance of interests at play here. On one side you have industries that lack the ability to be competitive, demanding high tariffs to prevent the entry of competing products. While on the other hand you have exporting businesses that want tariffs reduced for their products. There exist as many problems as there are benefits in trade relations. This isn’t a task that should be left to the government. Why should the GATT meddle in affairs best left for the market? It’s messing with all trade relations. The bureaucratic rules that are created do nothing more than substitute the law of supply and demand. They will never amount to anything, no matter how much negotiation is done. The last negotiation, the Doha round, concluded in 2006 without consensus between developed and developing nations, in spite of the bureaucratic claims that progress was being made.

In 1995, the WTO emerged as a way of increasing the GATT's efficacy. With a greater degree of power to intervene, based on ample amounts of regulations, it was believed that the WTO would overcome the GATT's legal problems; however, the issue was not a legal one, but instead an economic one. Much like the GATT, a bureaucratic cavern, the WTO has not increased world trade and reduced transaction costs; instead it has ended up accomplishing the opposite: reducing trade and increasing costs. We have to emphasize that domestic and international trade should be free of interventionist barriers. Likewise, there is no difference between the domestic trade barriers among states and the barriers that exist between countries. Thanks to our classical economists, we know that the people can benefit from trade: it increases investments, research, knowledge (know how), the quality of products, and reduces the prices of products. Moreover, increased efficiency will increase jobs and gross national production. Therefore, why complicate trade?