

Analysis of China and Chinese Foreign Trade Enterprises' Response to Anti-Dumping

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Abstract. In the era of fierce competition in the global economy, the country which suffers the most from anti-dumping in the world is China. This implies the importance of the current Chinese foreign trade enterprises to deal with anti-dumping measures, with the possibility for enterprises to make appropriate strategic adjustments to cope with the damage to their interests in the face of anti-dumping. In view of this, based on a comprehensive analysis of the literature of the past nearly 20 years, the impact from the point of view of productivity and exports is explored, the important impact caused by the EU and the United States is analyzed, as well as some analyses of developed and developing countries for anti-dumping in the past. The conclusion is that China will likely adjust its economic structure in the face of anti-dumping, enhance its trade negotiation capacity, and eliminate anti-dumping trade barriers; and that enterprises will be able to reasonably increase productivity as well as technological progress under the pressure of anti-dumping, and reduce costs by upgrading and iterating within the enterprise. However, in the long run, this does not mean that China benefits from anti-dumping measures.

Keywords: Anti-dumping, China, foreign trade enterprises.

1. Introduction

1.1. History of Anti-Dumping

Anti-dumping measures are usually expressed as anti-dumping duties, which are tariffs imposed on imported goods sold at "less than fair prices", with the aim of eliminating damage to domestic industries. In recent years, anti-dumping investigations have increased dramatically, both in terms of the countries involved and the number of products [1].

According to the WTO database shown in Figure 1, China has been subjected to as many as 782 anti-dumping measures after 2020, accounting for the largest proportion of 33.4% [2]. Moreover, according to the WTO anti-dumping database, from 1995 to 2014, China was subjected to a total of 1,052 anti-dumping cases and 759 anti-dumping measures, which accounted for 22.1% and 24.8% of the total number of 4,757 anti-dumping cases and 3,058 anti-dumping measures in the WTO. From 2011 to 2014, China was subjected to a total of 51 anti-dumping measures, 60, 75 and 63 anti-dumping measures, and 37, 35, 52 and 40 anti-dumping measures, and these amounts accounted for nearly 40% of all the anti-dumping cases and measures in the world. As can be seen from the data of the past almost 20 years, China has become the country that has been subjected to the largest number of anti-dumping measures in the world [3].

Nowadays trade protection attention increased a lot because of 2008 Financial Crisis. Although there are other countries, led by the United States, have not taken the step of raising tariffs vigorously, they have introduced some discriminatory measures [4]. Anti-dumping tariffs have played an essential role in this strategy, with the United States and the European Union, As one of the world's top two economies, anti-dumping duties on both production and export amounts have increased significantly, this trend has been on the rise in the wake of the global economic and financial crisis, with a number of countries adopting a series of trade barriers against China, including anti-dumping, countervailing, also have the essential target of EU and US taking anti-dumping actions [5].

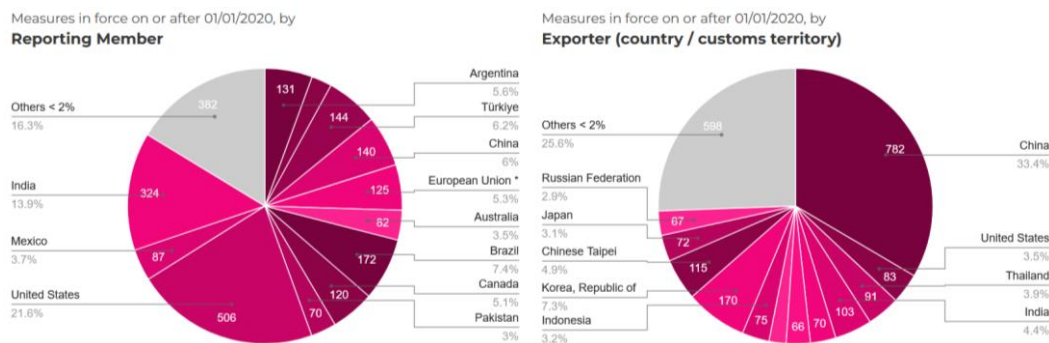


Figure 1. Measures in force on or after 01/01/2020, by reporting member or exporter (country/ customs territory)

1.2. The Importance of Chinese Foreign Trade Enterprises to Global and Domestic Economy

The importance of China's foreign trade is notable in the global economy. As the world's largest importer, it provides large quantities of goods to other international, helping to stabilize global prices and consumer inflation; as the world's largest importer, China's demand in the global marketplace also drives export growth in other countries. China's foreign trade activities create many jobs and provide a source of income for millions of people. This is important for maintaining social stability and promoting consumption upgrading. This illustrates the importance of Chinese foreign trade enterprises to the national as well as the global economy [6].

When foreign trade enterprises are faced with anti-dumping measures, there is a risk of reducing the external demand, exports, total production, employment and total profits of the enterprise and industry, and for this burden, the enterprise may be forced to withdraw from the market. However, a series of pressures generated by anti-dumping measures can stimulate enterprises to reduce costs or increase investment in Research and Development (R&D), thus increasing productivity [7].

Through the current situation, Chinese foreign trade enterprises to deal with anti-dumping measures has an important significance, in the face of anti-dumping damage, to make corresponding strategic adjustments to mitigate the interests of the damage. This article will be from the productivity, trade transfer and other countries for China's anti-dumping measures, such as a comprehensive analysis, for China's foreign trade enterprises to deal with anti-dumping to provide reference.

2. The influence of Anti-Dumping to Chinses Foreign Trade Enterprises

2.1. The Impact on the Productivity of The Focused Enterprises is Obvious

Although there is anti-dumping's influence on the productivity of a particular companies in the industry is negligible, the "priority" enterprises specifically targeted in the duty order have experienced significant productivity declines: 12% in labor productivity and 5% in total factor productivity. Moreover, heterogeneity in enterprises' export intensity has an impact on anti-dumping duties. Enterprises with higher initial export intensity makes more negative impact on productivity, exports, and total sales as a result of anti-dumping duties than new exporters. Finally, enterprises ownership also affects the effect of anti-dumping duties. Foreign-owned firms experience greater productivity losses, state-owned businesses, however, are less affected by this. These variations result from the anti-dumping tax's firm-specific nature. Despite this, research that consider all businesses within a given industry equally will drastically overestimate the detrimental effects of anti-dumping penalties. [1].

2.2. Anti-Dumping Measures Against China Have Resulted in a Marked Drop in Exports

According to the empirical analysis, China's exports have significantly decreased as a result of anti-dumping measures, and this has happened at both the rough and intense edges of trade. Anti-dumping duties also lead to modest rises in FOB prices, necessitating significant volume changes. It

seems politically logical for Chinese companies to decide against internalizing the anti-dumping duty and instead raise their export prices, even though this implies a relatively significant decline in export volumes and revenues, because anti-dumping cases are based on exporters selling their products at excessively low prices. On the one hand, this tactic might lead to anti-dumping complaints from final consumers (or producers sourcing intermediate inputs from China); on the other hand, attempts to lessen the effects of tariffs by lowering export prices might draw more attention and stricter regulations in importing nations. [5].

Theoretically, the impact on firms and industries targeted by anti-dumping works mainly through trade. Once an exporting firm is subjected to anti-dumping measures, anti-dumping duties will directly increase export selling prices. The anti-dumping duty will consequently have a negative impact on the enterprises and industries it targets in terms of external demand, exports, total production, employment, and total profits. The economies of scale will be impacted by the decrease in manufacturing. However, when businesses experience a drop in earnings, they could cut expenses while increasing R&D spending to boost overall productivity. Additionally, as a result of the burden anti-dumping regulations place on businesses, some may leave the market and the number of businesses in the sector may decrease. [7].

2.3. Greater Influence from European and United States

In comparison to developing nations, affluent nations like the United States and the United Kingdom have experienced more severe anti-dumping effects. When the US and the EU are considered as individual country cases, their policies have a more significant impact than those of other developed and developing nations. Additionally, anti-dumping laws in the US and the EU have different effects on output, profitability, and labor productivity [7]. In the US, anti-dumping laws have a bigger impact on the number of businesses, employees, and exports. China is a significant focus of ADA investigations because it is the largest exporter in the world. It accounts for more than 20 per cent of the EU and 14 per cent of the US. Indeed, since at least 2005, Nearly half of all applications for anti-dumping investigations in Europe have been directed towards China; in more than 70% of cases, anti-dumping measures are imposed. Similar circumstances have arisen in the US, where 36% of all cases started between 2004 and 2015 involved China. Accordingly, 76% of investigations led to the application of final anti-dumping charges, whose average (158%) is over four times the average tariff faced by all other exporters impacted by anti-dumping measures. As the top exporter in the world and the source of more than 20% of EU cases and 14% of US cases, China is the primary focus of ADA investigations. It attracts almost half of the applications: more than 70 per cent of cases result in some kind of protective measures. Similar circumstances occurred in the US, where 36% of all lawsuits started between 2004 and 2015 involved China. In this regard, 76% of inquiries led to the application of final anti-dumping charges, whose average (158%) is over four times the average tariff faced by all other exporters impacted by anti-dumping measures. [5].

Thus, in China's past experience with anti-dumping, the targeting of anti-dumping measures has been able to cause a significant drop in the productivity of target firms; once an exporting firm is subjected to anti-dumping measures, there is a consequent drop in profits, which can lead to firms being forced to withdraw from the market, and to a decline in the overall number of firms in the industry. On a group basis, anti-dumping measures in developed countries are having a more severe impact, particularly in the United States and the EU, on the number of firms, employees, exports, output, profits and labor productivity.

3. Developed and Developing Countries

Anti-dumping is a widespread practice presently utilized by both wealthy and developing nations. It is a global phenomena that emerged in the preceding decade. In all types of developing countries, there was a noticeable rise in the 1990s in both the quantity and severity of AD cases. According to a thorough review of data covering 99 countries from 1980 to 2000, wealthy and developing nations

exhibit very different anti-dumping practices. Anti-dumping is mostly utilized as an import deterrent during economic downturns in wealthy nations. Businesses in these nations don't appear to be concerned about import competitiveness when the economic cycle improves. However, they seek anti-dumping protection against import competition when the economy is struggling. Anti-dumping looks to be a weapon to help governments in developing nations open their economies as they transition from controlled to more liberal trading regimes. These nations progressively used anti-dumping measures when tariffs decreased. They have resorted to anti-dumping procedures due to the volume of anti-dumping inquiries against them. This might be as a result of the ability to develop capability to resist such actions thanks to the employment of anti-dumping regulations. The usage of subsidies in these nations has also been greatly impacted by external factors like import penetration and balance of payments deficits. [8].

Anti-dumping legislation primarily fall under political, not economic, control. National anti-dumping authorities think anti-dumping laws have achieved more than just enforcing fair trade laws and leveling the playing field. They are used to protect domestic businesses. Second, it suggests that once the WTO is fully operational, the use of anti-dumping will rise in developing countries, not only as a result of increased pressure for liberalization but also as a result of a rise in the number of countries seeking to build up their anti-dumping capacities in order to defend themselves from the use of anti-dumping against them. This could have an impact on how trade subsidies are used and reverse any positive trade effects that trade liberalization may have had. [8].

An examination of the number of anti-dumping duties currently in force in the US and the EU shows that non-OECD countries are the target of two-thirds of anti-dumping duties imposed in the US and nine out of ten anti-dumping penalties issued in the EU. It might be concluded that anti-dumping does not truly fall under the purview of antitrust. It is a preventative measure, and the same set of standards that govern safeguards apply to its use. If both safeguards and anti-dumping laws are meant to protect domestic enterprises, there is no reason for utilizing two different procedures to handle the same situation. [8].

4. Solutions from Chinese Foreign Enterprises Facing Anti-Dumping

4.1. Improve Enterprises Themselves to Afford Lost

E-commerce is a major engine of economic growth. The business-to-business (B2B) market has benefited the most from e-commerce transactions and is about nine to ten times larger than the consumer market. Internet-based electronic data interchange (EDI) offers great efficiencies in executing B2B transactions and is more affordable than other web-based alternatives. However, past data suggests that its utilization in developing countries, including China, remains low [9].

"Core competitiveness" is the long-term answer to the healthy development of international trade. On the one hand, international trade businesses need to focus on raising the competitiveness of their product brands. The essence of brand strategy is in the market products, services, and technology increasingly homogeneous trend, enterprises seek to create differentiation with the brand of strategic choices, to some extent, affecting the enterprise's differentiated profits. Brand value reflects the market position and comprehensive competitiveness of the enterprise owner in the global industry. The majority of Chinese businesses engaged in overseas trade are currently aware of their brands, but brand competitiveness still has to be increased. To develop a national brand image and transmit the cultural connotation and national literacy of Chinese companies to the world, businesses should organically mix organizational culture, local culture, and product features. [10].

4.2. Domestic Sales and Trade Diversion

Data for April 2021 shows that domestic sales of Chinese foreign trade companies increased by 17%, which means that domestic is also a market to consider. The Chinese government has proposed a development pattern of a major domestic cycle main body and a double cycle with the international one. Chinese foreign trade enterprises can also carry out local marketing according to their own

conditions.2021 On 22 June, the State Council issued the "Implementation Opinions on Supporting Export Shovels to Domestic Sales", pointing out that it supports marketable export products to develop the domestic market, encourages foreign trade enterprises to docking e-commerce platforms, relying on various types of online shopping festivals, setting up special zones for foreign trade products, accurately docking consumer demand, and focusing on helping foreign trade enterprises to We will endeavor to help foreign trade enterprises to tide over the difficult times. This means that Chinese foreign trade enterprises also have policy support in their home country to circumvent part of the impact of anti-dumping measures [11].

The Chinese economy has had tremendous growth, expansion, and infrastructure success during the previous few decades. The key goals of the Belt and Road Initiative to increase capitalism's dominance in the world are technological advancement, human resource development, effect on regional market activity, and high risk Chinese government investment programs. China continues to increase its imports and exports to and from nations along the Belt and Road. China's import and export to and from nations along the Belt and Road totaled 2.07 trillion yuan in the first quarter of 2020, up 3.2% year over year and 9.6 percentage points faster than the global growth rate. China's trade with ASEAN, which replaced the EU as its biggest trading partner, increased by 6.1% and 5.7%, respectively, as did its trade with Russia. This pattern demonstrates how highly complementary and deeply ingrained in the global industrial chain the goods traded between China and ASEAN are. Against the backdrop of rising trade protectionism and the uncertain outlook of the US-China trade dispute, the growth of US-China trade will further narrow, and the scale of China's trade with ASEAN will continue to expand. At the same time, the full entry into force of the Protocol on the Upgrading of the China-ASEAN FTA for all members of the agreement in 2019 will greatly enhance the intensity of cooperation between China and ASEAN in trade and economic cooperation, and ASEAN is expected to become the main growth point of China's foreign trade exports in 2020. Therefore, foreign trade enterprises should follow the trend of foreign trade export diversification, actively expand the market of "Belt and Road" countries, especially ASEAN countries, to diversify the risk of foreign trade exports, and realize the counter-trend counterattack in the environment of global trade contraction [12].

5. Conclusion

Data for the past 20 years show that China has been in the position of being the country most affected by anti-dumping measures, and in the face of the current global trade situation, China has been subjected to more import and export restrictions. Although a series of anti-dumping measures caused a continuous decline in the number of exports of foreign trade enterprises, some forced to withdraw from the market, as well as exports, production and profits have been damaged by anti-dumping measures. However, anti-dumping measures in developed countries have also driven Chinese foreign trade enterprises to actively innovate, increase productivity and promote industrial upgrading. In fact, this does not mean that China has benefited from anti-dumping measures. However, for Chinese foreign trade enterprises, in the long run, their core competence will be forced to accelerate, and their trade concerns will be extended to their home country and some other regions. However, the policy dependence of Chinese foreign trade enterprises is illustrated by the fact that when responding to and circumventing anti-dumping measures as described above, the Chinese government has made many policy adjustments to help foreign trade enterprises tide over the current difficulties. Considering the points discussed so far, this paper suggests that Chinese foreign trade enterprises need to hold stable core competencies, or even be able to monopolize a certain aspect through the development of science and technology, to gain a foothold in the global market. Foreign trade enterprises need to improve their overall strength, shift trade to local and other regions, and break through their own strengths. In the long run, Chinese foreign trade enterprises generally need to reduce their dependence on policy when facing trade barriers.

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