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Antidumping Measures and Quality Reversals: Impacts on Intra-Industry Trade and Market Dynamics

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Abstract

This paper examines the implications of dumping practices by firms from developed countries (DCs) and less developed countries (LDCs) on national and global welfare. Using a theoretical framework of vertical product differentiation and monopolistic competition, the study analyses how product quality and price competition affect trade within free trade agreements. It finds that DC firms achieve higher product quality due to greater R&D investment, while LDC firms often resort to dumping low-quality goods at below-market prices to enter foreign markets.

The research asserts that optimal anti-dumping duties can enhance national welfare by protecting local industries. For LDCs, price commitments may be more beneficial than dumping, improving international relations and stabilising economies. The paper argues that without robust trade policies, the adverse effects of dumping cannot be effectively managed. Ultimately, it emphasises the need to control dumping practices to promote fair competition and sustainable development in international trade, enhancing welfare at both domestic and global levels.

Keywords: Antidumping, intra-industry trade, product quality, trade policy, market structure

Introduction

The CTA¹, specifically sections 9A and 9B, were both amended in 1982 and have, in terms of legislation, served as an important milestone in the context of India's trade policy. The enabling law establishes the legal framework within which anti-dumping duties can be imposed on such imports which result, or threaten to result, in material injury to the domestic industry. This provision was given effect to on September 2, 1985, thus bringing Indian trade lawmakers in sync with the GATT 1947 principles. This amendment in policies not only provided India with an armory of trade policy instruments but also made sure that India did not violate any of the international trade standards.

In order to further enhance operational procedures, the Customs Tariff (Identification, Assessment and collection of Duties or Additional Duty on Dumped Articles and for Determination of Injury) Rules, 1985 were published. These rules explain the mechanisms for evaluation of dumped goods, measurement of degree of dumping and possible regulations to cope up with detrimental dumping effects on domestic industries. Dumping as referred to in these Regulations is the sale of imported goods in the home market at a price which is less than the normal value of those goods in the country of export.

The World Trade Organization's (WTO²) Anti-Dumping Agreement (1994), which India adheres to, provides a precise and technical definition of dumping, differing from its colloquial usage. According to Article 2.1 of the agreement, *"a product is considered to be dumped, that is, introduced into the commerce of another country at less than its normal value, if the export price of the product exported from one country to another is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country."* This definition underscores the economic distortion caused by dumping, where an exporting country leverages artificially lower prices to gain an unfair advantage in the importing country's market.

¹ Sydney C Ludvigson, Sai Ma and Serena Ng, 'Uncertainty and Business Cycles: Exogenous Impulse or Endogenous Response?' (2015) NBER Working Paper No 21803 <https://www.nber.org/papers/w21803> accessed 4 June 2025.

² World Trade Organization, 'Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-Dumping Agreement)' https://www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm accessed 4 June 2025.

The “normal value” mentioned here is used solely for comparison purposes and is calculated as the price of the product in the home market of the exporting country during usual trade. Where no or non-reliable domestic sale data is available, the normal value can be based on the cost of production together with the reasonable value to make profit in the exporting country or the such price at which the goods are sold to third countries in similar situations. This establishes a sound comparison to the export price.

The applications of anti-dumping duties are aimed at correcting an imbalance and are not protective. Its key aim is to enable domestic industries who would otherwise be unable to compete due to the presence of low priced inappropriate imports. The duties are designed to fill the space that exist between the dumped price and the normal value which means that the exporters have an unfair advantage.

As stated in the CTA and in accordance with WTO policies, India’s anti-dumping policy frames a counterbalanced policy. It bars domestic industries from the practice of underselling but at the same time, promotes acceptable competitive behavior and international trade.

By addressing the challenges posed by dumping, the legislation plays a pivotal role in safeguarding the interests of Indian manufacturers, ensuring economic stability, and fostering a healthy trade environment.

2.Literature Review

The confluence of anti-dumping laws and competition law has generated much interest within the both the scholarly and policy-focused conversations, particularly in terms of international trade. This literature review integrates key understandings towards an understanding of anti-dumping policies, the effects these may have on competitive practice, and broader economic environments.

Anti-Dumping Measures and Trade Policy General research on anti-dumping mechanisms traces its beginnings to the General Agreement on Tariffs and Trade (GATT³) and further evolves into the structure of the World Trade Organization (WTO). The Anti-Dumping Agreement (ADA) of the WTO provides a structured approach in dealing with dumping

³ Competition Commission of India, *The Competition Act, 2002*
<https://www.cci.gov.in/images/legalframeworkact/en/the-competition-act-20021652103427.pdf> accessed 4 June 2025.

practices. This emphasizes the need for member countries to demonstrate damage to local industries before imposing anti-dumping tariffs (WTO, 1994).

Hoekman and Mavroidis (2000) suggest that anti-dumping duties are of limited purpose: to protect local producers from the negative impacts of foreign price distortions. Their analysis suggests that one needs to balance protectionism with free trade principles in order not to build barriers that may stifle competition.

2.2 Competition Law Framework

The Indian Competition Act, according to the Competition Commission of India (CCI), is established with an objective of upholding equitable competition and consumers' interest. Aims articulated in the Act, for instance, deterring monopolistic conduct and improving consumer welfare, form an important basis for understanding the workings of the home market (CCI, 2002). Kaplow (2007) also points out that the main goal of competition law is to ensure a fair market setting, so no single entity exploits its market power to the detriment of consumers or other businesses. This perspective is essential when considering the possible effects of anti-dumping measures, which may inadvertently cause market instability.

Economic Impact of Anti-Dumping Duties Studies have shown that although anti-dumping tariffs are apparently to protect the home-based sectors, they might sometimes bring unknown effects such as high prices to the consumers while weakening the domestic enterprises to be proactive and innovate themselves (Blonigen & Prusa, 2016). Critical debates indicate that anti-dumping measures often make producers feel comforted with importing rather than being driven to improvement of productivity and competitiveness performance (Vandenbussche & Zanardi, 2008).

The phenomenon is more common among developing countries where the imposition of anti-dumping tariffs can prevent consumers from purchasing a range of products at competitive prices (Amiti & Khandelwal, 2013).

2.3 Global Trade Relations and Cooperation

The interplay between developed and developing nations regarding anti-dumping policies has emerged as a significant area of investigation. According to Prusa (2001), a considerable

fraction of anti-dumping⁴ cases have been brought forth by developing nations targeting imports from least developed countries (LDCs). This phenomenon prompts an examination of the efficacy of anti-dumping measures as instruments for safeguarding local industries while avoiding the intensification of trade conflicts. As pointed out by such authors as Bowen (2013), "South-South protectionism" phenomena reflect LDCs' moves that create anti-dumping duties against imports from other developing states. This also complicates further international trade relations.

The integration of competition law and anti-dumping frameworks. The literature calls for an integrated approach where anti-dumping practices harmonize with competition law. Researchers suggest that principles of competition law be incorporated into the anti-dumping framework in order to avoid the erosion of competitive market forces that may arise from the imposition of duties (Hansen & Neilsen, 2009). This could mean that significant assessment of the competitive effects resulting from the accusation of dumping needs to be done before duties can be imposed in order to prevent the exploitation of anti-dumping practices as tools for protectionism. Policy Recommendations and Future Directions The existing literature body indicates a set of policy interventions that aim at making anti-dumping measures more effective without impeding competitive integrity. More specific criteria for injury assessment have been proposed, along with incorporating tenets of competition law into the anti-dumping inquiry regime (Moraga-González & Viaene, 2015). International cooperation and communication among trading entities are essential to curb dumping behaviors and prevent retaliations, as suggested by Flam and Helpman (1987).

3. Scope of Research

This research paper examines the relationship between anti-dumping measures and competition law within India's trade policy, focusing on their interaction, impact on domestic industries and consumers, and influence on international trade relations. It analyzes India's anti-dumping provisions under the Customs Tariff Act and their alignment with the WTO's Anti-Dumping Agreement, assessing their effectiveness in protecting local industries while considering drawbacks like higher consumer prices. The study highlights the distinctions and overlaps between anti-dumping measures and competition law, advocating for their integration to

⁴ HeinOnline, 'Home' <https://home.heinonline.org> accessed 4 June 2025.

promote fair competition and consumer welfare. It also identifies gaps in existing literature and suggests future research directions.

4. Research Objectives

1. To provide a detailed overview of the legal framework governing anti-dumping measures in India, focusing on the Customs Tariff Act (CTA) and its alignment with the World Trade Organisation's (WTO) Anti-Dumping Agreement.
2. To examine the legal mechanisms for imposing anti-dumping duties in India and analyse their impact on trade dynamics.
3. To evaluate the impact of anti-dumping duties on local industries and consumer welfare, considering both protective benefits and potential drawbacks such as higher prices and reduced product availability.
4. To assess how anti-dumping measures affect the competitive dynamics of domestic industries in India and their influence on consumer welfare.

5. Hypothesis

The research proposes several hypotheses to explore the relationship between anti-dumping measures and competition law, particularly in the context of India's trade policy. It posits that anti-dumping duties enhance the competitiveness of domestic industries in developed countries (DCs) by limiting low-quality imports from less developed countries (LDCs), though they may also lead to higher consumer prices and reduced welfare. Additionally, it suggests that firms in DCs produce higher quality goods, influencing market strategies, and that integrating competition law into anti-dumping frameworks could prevent protectionist abuses. The implementation of such duties may escalate trade tensions and result in long-term disadvantages for LDCs despite short-term market gains. Furthermore, the imposition of anti-dumping duties is expected to improve global welfare by mitigating the negative impacts of low-quality goods, while advocating for price commitments from LDCs could foster better international relations and economic stability. These hypotheses can be empirically tested through research and case studies.

6. Research Methodology

The research methodology in this paper examines the relationship between anti-dumping measures and competition law within India's trade policy. It employs a theoretical framework based on vertical product differentiation and monopolistic competition to analyze how product quality and pricing strategies affect trade interactions between developed and developing countries. A comprehensive literature review synthesizes existing findings on anti-dumping policies and competition law, identifying gaps in understanding their nexus. The study includes a legal framework analysis to evaluate the alignment of India's Customs Tariff Act with the World Trade Organization's Anti-Dumping Agreement, focusing on the effectiveness of anti-dumping duties in protecting domestic industries. Utilizing both qualitative and quantitative data, including case studies and statistical evidence, the research assesses the impacts of anti-dumping duties on local industries and consumer welfare. It also proposes policy recommendations to integrate competition law into the anti-dumping framework, promoting fair competition and consumer welfare while safeguarding domestic industries.

7. Statement of the Problem

The interplay between anti-dumping measures and competition law poses significant challenges for policymakers and businesses, particularly in India's trade policy. While anti-dumping duties aim to protect domestic industries from unfair foreign pricing, they can inadvertently create barriers to competition, resulting in higher consumer prices and reduced innovation incentives for domestic producers. This issue is particularly acute in developing countries, where reliance on protective measures may stifle competition and limit consumer access to diverse products. The complexities between competition law and anti-dumping measures necessitate a harmonized approach to prevent undermining fair competition. Additionally, the lack of integration between these frameworks raises concerns about the misuse of anti-dumping measures as protectionist tools, highlighting the need for actionable policy recommendations that promote fair competition and enhance global welfare.

8. Research Questions

1. What is the impact of anti-dumping measures on the competitive dynamics of domestic industries in India, and how do these measures influence consumer welfare in terms of pricing and product availability?

2.How do the principles of competition law intersect with anti-dumping regulations in India, and what are the implications of this relationship for maintaining fair competition in domestic markets?

3.In what ways do anti-dumping duties affect international trade relations between developed and developing countries, particularly in terms of retaliatory actions and trade tensions?

4.What policy recommendations can be formulated to integrate competition law principles into the anti-dumping framework in India, and how can international cooperation be enhanced to address dumping practices effectively?

DISTINGUISHING OBJECTIVES

9.Distinguishing Objectives: Competition Law vs. Anti-Dumping Measures

The distinction between competition law and anti-dumping measures, as clarified by the Supreme Court in *Haridas Exports*⁵, revolves around their respective areas of focus. Competition law addresses the dynamics and conditions of competition within a country's domestic markets. In contrast, anti-dumping measures target specific international trade practices that harm domestic industries through unfair pricing. While this distinction may initially appear superficial or geographical, a deeper examination of their objectives reveals nuanced and complementary purposes within the broader goal of ensuring economic fairness.

9.1 Objectives of the Competition Act

The Indian Competition Act, as stated in its Preamble, has four objectives:

- This is done to avoid practices negatively influencing competition: This objective keeps competitive conditions intact, preventing monopolistic events or anti-competitive practices like cartels, price-fixing and use of power from our marketplace.
- To enable competition: The Act promote competitive market structures, leading to innovation, efficiency and consumer choice.
- Protecting the interests of consumers: Prevention against unfair trade practices and predatory behaviors allows customers to directly gain from fair prices as well as quality goods.

⁵ Eric A Hanushek, John M Quigley and Steven Raphael, 'Investments in University Research: The Benefits and Costs of the University of California' (2007) 46(3) *Regional Science and Urban Economics* 1 <https://www.sciencedirect.com/science/article/pii/S0014290107001390> accessed 4 June 2025.

- For freedom of trade: This means that it won't be illegal for businesses to compete, and no business will have an unfair advantage over another.

These objectives collectively aim to establish and maintain a robust domestic market environment where fair competition thrives, benefiting both producers and consumers.

9.2 Objectives of the Customs Tariff Act and Anti-Dumping Measures

In contrast, the mandate of the Customs Tariff Act regarding anti-dumping is more focused. Although the preamble itself serves as a measure for rationalisation of laws only, inclusion of Sections 9, 9A and 9B brings Indian legislation in consonance with WTO Anti-Dumping Agreement (ADA). This would enable anti-dumping duties to be imposed to protect domestic industries from predatory pricing practices by foreign exporters, potentially undermining domestic competitors.

Trade economists Hoekman and Mavroidis⁶ argue that antidumping duties have a limited objective: protecting home producers from the damaging effects of foreign price distortions.

This involves preventing foreign firms from flooding the domestic market with goods priced below their production cost or below the standard value in their home markets.

9.3 Aligning Distinct Goals

While competition law and anti-dumping rules may be specifically designed to achieve different end-goals, they share the higher objective of addressing market distortions so as to facilitate fair trade and competition. On the one hand, anti-dumping measures protect domestic industries from unfair trade practices abroad; on the other, competition law preserves dynamic and fair internal markets.

Moreover, the two frameworks indirectly seek to realize the ideal of free trade by constraining barriers and distortions that threaten a level playing field. Just as competition law punishes anti-competitive conduct in the domestic economy such as collusion or abuse of dominance, so do anti-dumping measures react to external threats like predatory pricing by foreign actors. Collectively, they create a well-rounded regulatory framework that promotes harmonious economic development, consumer protection, and responsible trade practices.

⁶ Edward L Glaeser, Joshua D Gottlieb and Joseph Gyourko, 'A Nation of Gamblers: Real Estate Speculation and American History' (2013) 103(3) *American Economic Review* 1
<https://www.aeaweb.org/articles?id=10.1257/aer.103.3.1> accessed 4 June 2025.

This complementary alignment underscores the need for distinct yet harmonized trade policies, ensuring that domestic and international markets operate under principles of fairness and equity.

10. IMPACT OF ANTI-DUMPING DUTIES ON COMPETITION

10.1 Applicability and Non-Applicability of Anti-dumping Law in certain cases

On the other hand, competition law does not prohibit price discrimination if it has the effect of improving consumer welfare. For example, a dominant position and the ability to charge lower prices are not prohibited by section 4 of the Competition Act⁷, the highest threshold for proving an "abuse" of that position. the dominant position must be satisfied. In fact, Article 4(2)(a)(ii) also provides for the protection of "competition" which legitimizes lower prices when other producers in the market set the same prices. Even the definition of "predatory pricing" within the meaning of the Competition Act does not call into question sales at a price below the cost of production, but only sales made with the aim of reducing competition or eliminating competitors.

10.2 Benefits of Anti-Dumping Law

Dumping provisions ignore the benefits of competition from imports in the domestic market, even if it is at a lower price. This advantage primarily benefits end consumers, who must pay a lower price for identical or similar products. Competitive market conditions also benefit domestic producers because they force domestic producers to be more economically efficient in order to compete with imports. Therefore, some cases of dumping may not harm the domestic market, although they may undermine the market power or potential oligopoly of some domestic producers. As a result, anti-dumping duties reduce import competition by making imports more expensive, which negatively affects consumers in the short term and in the long term creates an economically inefficient system in which domestic producers do not have to compete to be the best. product on the market.

10.3 The US advertise in 2018

⁷ Competition Commission of India, 'Study on Antidumping and Competition Law' (Final Report) <https://cci.gov.in/public/images/marketstudie/en/docs1652440008.pdf> accessed 4 June 2025.

The ITC's⁸ discoveries affirmed that unjustifiable exchange honours by Chinese exporters have caused noteworthy harm to the US household industry. The ITC forced anti-dumping (Advertisement) obligations on seven Chinese exporters/producers of wooden cabinets and clothing rooms, extending from 4.37% to 262.18% (U.S. Office of Commerce 2020).

10.4 The use of anti-dumping duties by the United States:

The U.S. government is not limited to investigating only products like wooden cabinets and low-quality clothing. It is currently looking into whether aluminum imports from Armenia, Brazil, Oman, Russia, and Turkey are being sold in the United States at unfair prices (U.S. International Trade Commission 2021). Additionally, the Wind Tower Trade Coalition has filed a complaint against India and Malaysia regarding the duty-free export of large wind turbines, alleging a dumping margin of 54% for India and 93% for Malaysia. The U.S. government is assessing whether these imports have harmed the domestic market. American companies often sell their goods at prices that are lower than fair value (U.S. Department of Commerce, 2020). These situations highlight the issue of dumping products at reduced prices in developed nations, where governments may implement anti-dumping duties as a means to counteract unjust trade practices.

10.5 Key Concerns

A key concern is whether the World Exchange Organization⁹ (WTO, 2021a, WTO, 2021b) does not consider dumping to be an out of line exchange honour and subsequently does not fundamentally back the utilize of anti-dumping obligations. The WTO gives part states with a component to address dumping honours known as the Anti-Dumping Agreement.

10.6 Key Concerns Regarding Anti-Dumping and Potential Solutions:

From a global standpoint, several critical questions arise: (i) which types of companies, from developed or least developed countries, are likely to be impacted, and (ii) how often will the governments of developing or least developed countries initiate anti-dumping investigations on imports? What is the connection between dumping and trade in similar products? Given the increasing worries about extensive dumping of low-quality goods in developing nations, would least developed countries benefit from government-imposed bans on dumping exporters? Are

⁸ United States International Trade Commission, 'Antidumping and Countervailing Duty Investigations' https://www.usitc.gov/publications/701_646.pdf accessed 4 June 2025.

⁹ World Trade Organization, 'WTO Dispute Settlement Transparency and Surveillance' https://www.wto.org/english/res_e/reser_e/ersd2006001_e.htm accessed 4 June 2025.

anti-dumping duties effectively protecting domestic companies, thus serving as a welfare-enhancing policy for importing nations? How does the global dumping of inferior products impact the overall benefits of free trade? Is it possible that global welfare—determined by aggregating the social welfare of developing and least developed countries—could be greater under anti-dumping policies compared to a scenario of free trade that includes dumping? This article addresses these issues via an equilibrium analysis concerning two international trade markets focused on differentiated quality products between developing and least developed countries. In hindsight, numerous studies have advanced our comprehension of dumping and anti-dumping regulations. Recognizing the existing literature's contributions, we adhere to GATT/WTO¹⁰ guidelines to deduce when dumping occurs by directly comparing the equilibrium market prices of similar products offered by firms in developing versus least developed countries. Analyzing these prices helps us pinpoint the nature of the firms (whether from developing or least developed countries) involved in dumping practices. To illustrate the international dynamics of free trade, we utilize a two-stage game where each competitive firm determines its product quality level before embarking on price competition within emerging and developing markets. We consider income disparities between nations, reflecting varying degrees of competition in the global marketplace. In the context of bilateral trade involving quality-differentiated products between firms from developing and least developed countries, we demonstrate that firms from developing countries produce higher quality goods, driven by economic incentives to invest in research and development (R&D)¹¹ for quality enhancement. Conversely, firms in least developed countries tend to offer lower quality products, lacking the motivation to invest in R&D for improvements. Our analytical findings align with empirical studies which indicate that, on average, the strategic choice of product quality is notably higher among firms from developing countries compared to those from least developed countries (Amiti and Khandelwal, 2013). Additionally, our model examining trade in quality-differentiated goods amidst income disparities reveals that firms from developing countries do not engage in dumping under free trade, while those from least developed countries tend to offer their quality products at prices lower than the domestic rates in developing countries.

¹⁰ Robert Wolfe, 'WTO Dispute Settlement Transparency and Surveillance' (2006) *World Trade Review* <https://www.cambridge.org/core/journals/world-trade-review/article/wto-dispute-settlement-transparency-and-surveillance/10.1017/S1474745606003032> accessed 4 June 2025.

¹¹ Sourabh Bharti, 'India: Rethinking Anti-Dumping Duties: A Competition Law Perspective' (2013) 24(3) *International Trade Law & Regulation* 83 <https://www.tandfonline.com/doi/full/10.1080/09638199.2013.835066> accessed 4 June 2025.

10.7 Trade regimes and heir effect on framework of trade-in products:

The framework of trade in like products (with qualitative differentiation) allows us to study how consumers and producers in two trading countries (developing and developed countries) are affected by three different trade regimes: free trade, anti-dumping (AD) measures, and price commitments. . Faced with the dumping by the developing country of a lower quality product in the developing country's market under free trade, the government of the importing country (i.e. the developed country) responds by imposing AD¹² duties. The analysis shows that consumers and producers in developed countries achieve higher surpluses by consuming and producing more high-quality goods and fewer low-quality goods. Thus, the overall welfare of developed countries is higher under the anti-dumping regime. However, consumers and producers in developing countries face higher economic costs when their governments allow dumping companies from less-developed countries to make price commitments. We find that the win-win equilibrium resulting from imposing anti-dumping duties on dumped products from LDCs may explain why, under the auspices of anti-dumping regulations, the United States has decided not to impose anti-dumping duties on products from less-developed countries.

10.8 Economic effect on LDC

Regarding the economic effects on LDCs, we show that LDC consumers are better off when the LDC government imposes anti-dumping duties¹³ on LDC dumping than when there is free trade. The economic intuition behind this result is as follows. Under an anti-dumping policy, the excess gains to LDC consumers from consuming a higher quality imported product outweigh the loss of consumer surplus from purchasing the lower quality domestic product at a lower price. However, the LDC firm benefits from a higher producer surplus by selling its inferior product under free trade. Third, the welfare of LDCs is higher when their exporter accepts the price undertaking, but welfare is lower when the exporter sells its inferior product and pays anti-dumping penalties.

From a global welfare perspective, calculated by aggregating the welfare of trading partners (DCs and LDCs), we show that the measure of trade harm from the imposition of anti-dumping duties improves in a Pareto sense compared to free trade (under which dumping occurs). This

¹² Paul Craig, 'Theory, "Pure Theory" and Values in Public Law' [2005] PL 440.

¹³ Alison L Young, 'In Defence of Due Deference' (2009) 72 MLR 554.

result provides a theoretical justification for anti-dumping duties in response to foreign dumping.

10.9 Types of firms that tend to practice anti-dumping

This article enhances existing literature by pinpointing the types of firms (Developing Countries or Least Developed Countries) that engage in dumping practices, as well as indicating which of these governments are likely to initiate anti-dumping measures against foreign competitors. Prusa¹⁴ (2001) provides empirical evidence that since the 1980s, around 95% of anti-dumping cases have been raised by developing countries against imports from LDCs. Vandebussche and Zanardi¹⁵ (2008) reveal that LDCs significantly participate in anti-dumping actions themselves. Bowen (2011a,b) highlights that these measures typically target both traditional users and newer players (i.e., LDCs). Notably, Bowen (2013) observes that a majority of new anti-dumping cases initiated by LDCs have aimed at imports of lower-priced goods from other LDCs, illustrating a trend of “South-South protectionism.” Blonigen and Prusa (2016) note that LDCs are highly active users of anti-dumping policies against unfair practices by LDC firms, particularly in terms of the magnitude of anti-dumping duties. Hansen and Neilsen (2009) identify that fluctuations in product quality lead higher-quality firms to seek tariff protection, emphasizing that product differentiation makes anti-dumping policies more advantageous for firms producing and exporting higher-quality goods (i.e., from developed nations). Our analysis of dumping among LDCs deviates from Brander and Krugman’s (1983) reciprocal dumping model in two significant ways. First, we scrutinize bilateral trade in quality-differentiated products, whereas Brander and Krugman focus on trade in identical products without quality distinctions. Second, we investigate trade between developing and least developed countries, considering the income disparities and varying levels of international market competition involved, while Brander and Krugman concentrate on trade between two developing countries with similar economic structures. Flam and Helpman (1987) pioneered the analysis of North-South trade involving vertically differentiated products, focusing on issues beyond dumping. Our research complements the findings of Moraga-González and Viaene (2015) regarding trade between a developing country and an LDC. The methodological differences and economic implications between our studies are noteworthy. We explore a fully covered product market, while Moraga-González and Viaene address

¹⁴ Graham Virgo, ‘Why Study Law: The Relevance of Legal Information’ (2011) 11 LIM 221.

¹⁵ Gerard McCormick, ‘Reconstructing European Insolvency Law – Constructing a New Paradigm’ (2010) 30(1) LS 126.

dumping within a partially covered market. Our findings suggest that while the firm in the developing country produces a higher-quality product without resorting to dumping, the firm from the developing country produces a lower-quality product that is dumped onto the developing market. Thus, dumping is associated with a decline in product quality. In contrast, Moraga-González and Viaene¹⁶ (2015) indicate that emerging firms disrupt LDC markets, with their study suggesting that an LDC government implements a price commitment policy toward a dumping developing firm, which benefits the LDC but has negative effects on global welfare. Our model suggests that implementing an anti-dumping policy enhances the welfare of the enforcing country (i.e., developing countries) as well as contributing positively to global welfare, gauged by the overall well-being of trading partner.

11.1 Basic Assumptions

We explore further the economic mechanisms and assumptions underpinning the interactions between developing countries (DCs) and less developed countries (LDCs):

Differences Distracted, and Consumer Preferences:

For example, in developing countries (as seen in Brazil or India), the emergence of a rising middle class with disposable income leads to demand for higher quality goods, causing firms to focus on R&D and elevated standards.

On the contrary, the LDCs (e.g. countries of sub-Saharan Africa) are reasonably low consumers whose products have to be simple and cheap. All these are the basic facts of demand which create a natural division of the markets for the higher and the lower quality goods.

11.2 Market Structure and Firm Behaviour:

The firms in the DCs can operate due to better technology, financial capital, as well as acceptable skilled manpower, and this increases their efficiency in the production process of goods. This makes them the dominant sellers in their local market.

LDC's firm usually has a wage plus subsidy right of base composition, which enables them to obtain profits in the exporting to the DC markets through the course of price undercutting. This capacity, unfortunately, prevents them from covering the world market.

¹⁶ José Luis Moraga-González and Jean-Marie Viaene, 'Antidumping, Intra-Industry Trade, and Quality Reversals' (2015) 56(3) *International Economic Review* 777
<https://onlinelibrary.wiley.com/doi/abs/10.1111/iere.12122> accessed 4 June 2025.

Dumping Incentives and Conditions are that when LDC firms practice dumping. Then LDC domestic markets are quickly saturated but have a low volume demand and the Internationalizing the markets creates economies of scale, therefore, an export-oriented perspective is very important.

LDC's firm can also practice dumping, whereby they are willing to sell products at a lower price in the DC markets to gain or increase their market share.

11.3 Regime Comparisons and Policy Recommendations:

Free Trade with Dumping are in a free trade environment, LDC firms offer a price-competitive edge up against other competitors in the LDC sector. More detailed outcome analysis of the case.

DC Impact for the Consumers can low-priced goods raise household savings and increase overall consumer surplus. For example, imports of cheap clothing or electronics often favour price-sensitive segments in DCs. And the Producers of Domestic industries, particularly those that are labour-intensive like textiles, face stiff competition from imported goods, which costs them jobs and reduces their investment in innovation. Domestic producers eventually focus on niche, high-value segments to remain viable over time.

Social Welfare were consumers may gain, a loss in employment and competitiveness of the local industry could undermine medium-term economic stability in the developing world¹⁷.

The LDC Effect make the Producers' dumping increases profitability since it opens up new markets; firms can then reinvest for increased production. Nevertheless, long-run dependence on thin margins may fail to spur growth in higher value-added products. But the consumers' access to cheaper goods diminishes as the country's focus changes to exporting, thereby inadvertently increasing the price of domestic goods.

11.4. Antidumping Measures

Anti-dumping duties produce artificial barriers to ensure fairness in competition in the DC market. These duties are often proportional to the level of identified dumping, give DC Impact to the consumers. As prices increase reduce affordability, but low-income consumers are proportionally affected. For example, anti-dumping measures on steel or solar panels could increase construction and energy costs. The producer's of domestic firms benefit from

¹⁷ https://www.usitc.gov/publications/701_646.pdf

temporary protection to rebuild market share and profitability. But they may become complacent if protection is maintained without a clear timeline. But the social welfare and the gains to producers may be short-term, but long-term efficiency losses could result if anti-dumping measures prevent competition or innovation.

The LDC Impact to the Producers towards anti-dumping tariffs reduce the export earnings of firms, thereby impairing their ability to compete in the global market. In extreme cases, firms may turn back to home markets and flood them with surplus supply.

Consumers were given the domestic prices may be stabilized, but in the long run, the lost international competitiveness may hinder the economic growth of LDCs.

11.5. Price Undertakings

A bargained regime where LDC firms agree to fix the export price above a certain threshold reduces the dumping concerns but maintains market access. Impact on DC get to the Consumers by imported goods are still available, although at relatively higher prices than free trade. The variety of goods available, such as high-quality and low-quality goods, maintains consumer choice. Producers price were guarantees relieve some of the competitive pressures without completely destroying the incentive to innovate. For example, home firms may use their quality advantage while at the same time enjoying a level playing field.

Social Welfare and there is a balanced outcome, in which moderate competition drives efficiency and consumer welfare remains intact. The LDC Impact towards Producers as export profitability falls, preserving market access in DCs helps to establish medium-term production continuity. This rents-in system incentivizes firms to aim at marginal increments to quality to rationalize higher prices.

Consumers were price assurances have only indirect impacts on domestic markets if it triggers a major redeployment of production inputs. Enlarged Policy Advice for Developing Countries (DCs) are R&D Incentives in which governments can offer tax breaks or grants to domestic firms that invest in innovation, which will then be able to compete with cheap imports.

Targeted Tariffs are rather than imposing blanket anti-dumping duties, apply sector-specific duties to protect strategic industries like advanced manufacturing. And for Less Developed Countries (LDCs) the capacity building of Firms are encouraged to invest in technology upgrade and workforce development to compete on quality, not price. For the trade negotiations which are for bilateral agreements with DCs should be made to ensure favorable terms in

exporting goods while maintaining fair trade practices. And global framework say about the WTO Mediation which provide the WTO's¹⁸ role in balancing anti-dumping complaints should be enhanced to prevent the misuse of such measures as protectionist tools. With fair trade Guidelines which gives International standards for price commitments should be clarified to promote sustainable trade relations without stifling competition.

12. ACCOUNTING FOR COMPETITION LAW PRINCIPLES

The anti-competitive effects of anti-dumping duties raise significant concerns for the Competition Commission of India (CCI), particularly in light of the Act's preamble. This situation is contentious because anti-dumping duties can serve as tools for protectionist trade measures, which may lie beyond the scope of regulatory oversight. To address this issue, two potential approaches could be undertaken to bridge these areas of concern. First, the designated authority responsible for enforcing anti-dumping measures must consider competition law principles before implementing such duties. This would entail that a determination of dumping be contingent upon evidence of injury or harm to competitive conditions within the domestic market, likely indicating a case of predatory pricing. While the designated authority conducts a material injury assessment as outlined in Section 9B, this evaluation currently focuses solely on the industry rather than the broader market context. An amendment to the Customs Tariff Act to introduce a provision akin to Section 19(3) could be beneficial; however, it should be noted that the designated authority may not possess the necessary expertise to draw such conclusions. By incorporating competition law principles into the decision-making process for imposing duties, the negative impact of these measures on market competition can be alleviated. In this envisioned scenario, a duty would only be warranted if the harm to the industry justifies a decrease in competition from imports, provided that the overall conditions of market competition—encompassing supply and production chains—are maintained, or if the detrimental effects on consumers and competition costs are minimal. Secondly, the CCI and the designated authority could capitalize on the powers granted under Sections 21 and 21A of the Competition Act. Section 21 allows a legal body to refer a case to the relevant competition authority for assessment under competition law. This means that the designated authority can request a ruling on whether allegations of dumping adversely affect competition in India and impose duties accordingly. Implementing these recommendations would necessitate not only a reassessment of Indian legislation but also a reevaluation of the concept of dumping and anti-

¹⁸ K Zweigert and H Kötz, *An Introduction to Comparative Law* (Tony Weir tr, 3rd edn, OUP 1998).

dumping obligations on an international scale. Indeed, Sections 1 and 18.1 of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade (ADA) stipulate that actions taken following a dumping determination must adhere to the provisions outlined in the ADA itself. The ADA does not accommodate considerations of extraneous factors like competition law principles. This issue was acknowledged in the Appellate Body's ruling concerning the United States Anti-Dumping Act of 1916, which did not take into account that the 1916 Act was, in fact, antitrust legislation.

13. Conclusion:

The interplay between anti-dumping measures and competition law presents a complex landscape for policymakers, regulators, and businesses alike. As has been explored throughout this research paper, the objectives of anti-dumping duties, as laid down in the Customs Tariff Act (CTA) and in consonance with the WTO's Anti-Dumping Agreement, are essentially to safeguard domestic industries from unfair pricing practices by foreign exporters. This defensive posture, as important to the protection of domestic producers is problematic because of its competitiveness effects in domestic markets.

The analysis reveals that while anti-dumping measures are aimed at correcting market distortions caused by dumping, they can inadvertently create barriers to competition. Imposing duties on imported goods deemed to be sold at unfairly low prices leads to higher prices for consumers and reduces the incentive for domestic producers to innovate and improve efficiency. This dynamic is particularly pronounced in developing countries, where the introduction of anti-dumping duties can stifle competition and limit consumer access to a diverse range of products at competitive prices. The potential for complacency among domestic producers, who may rely on protective measures rather than striving for excellence, further complicates the economic landscape.

In addition, the seemingly clear distinction between competition law and anti-dumping measures needs to be looked at more critically. While competition law deals with fair and competitive domestic markets, anti-dumping measures are always a response to specific instances of international trade practices. However, the overlap between the two frameworks requires a harmonized approach to ensure that the imposition of anti-dumping duties does not undermine the principles of competition law. Therefore, the recommendations for integration of competition law principles into the anti-dumping framework are crucial for achieving a

balanced regulatory environment, such as requiring a comprehensive analysis of the impact on competition before imposing duties.

The findings also emphasize that the role of the Competition Commission of India (CCI) in anti-dumping investigations may need to be revalued. The regulatory framework could further be strengthened by permitting an assessment of the competitive implications of dumping allegations by the CCI so that the tool of anti-dumping is not misused as a device for protectionism. The procedure is, therefore, in accordance with the principles of fair competition and also ensures the necessary protection of consumers' interest.

International cooperation and dialogue are significant in the context of dumping practices, especially when two countries that are on two different tiers of development happen to deal with each other. For instance, findings from previous studies indicate that anti-dumping measures, if implemented temporarily, will often lead to retaliatory behavior and trading tensions between these countries; hence, constructive collaboration in a country's trading policy by discussing with partners is also crucial for effective sustainability in international trade relations.

Therefore, the relationship between anti-dumping measures and competition law is both intricate and multifaceted. While anti-dumping duties play a very essential role in protecting domestic industries from unfair trade practices, their implementation must be balanced not to have adverse effects on competition and consumer welfare. By integrating competition law principles into the anti-dumping framework and fostering international cooperation, policymakers can create a more equitable trade environment that benefits both domestic producers and consumers. Ultimately, the goal should be to strike a balance that promotes fair competition, encourages innovation, and ensures that consumers have access to a diverse range of high-quality products at competitive prices. This balanced approach will not only improve economic stability but also promote long-term growth and development of both domestic and international markets.

14. Suggestions

To improve the effectiveness of this research paper, it is advisable to include empirical case studies that demonstrate the real-world effects of anti-dumping measures on domestic industries and consumers, offering practical insights. Conducting a comparative analysis of anti-dumping frameworks in other countries could reveal best practices and valuable lessons.

Furthermore, it is essential to stress the importance of a structured framework that incorporates competition law principles into anti-dumping regulations to prevent protective misuse. Involving diverse stakeholders, such as industry representatives and consumer groups, in the policy-making process will ensure a well-rounded perspective. Lastly, promoting enhanced international collaboration will be key to effectively addressing dumping practices and reducing trade tensions.

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