

Anti-Dumping Measures: A Case of PVC Flooring Sector in Pakistan

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Abstract

Free and fair trade is a cornerstone of economic growth, thereby strengthening the nations. The World Trade Organization (WTO) supports free and fair trade through Trade Remedial Laws, including Anti-dumping measures to ensure fair competition and to combat unfair trade practices. This study examines a case where a leading industrial manufacturer initiated an investigation of dumping of PVC flooring, causing material harm to domestic producers. Using qualitative research, the study highlights significant damage during the investigation period, including increased dumped imports, price cutting, and declines in market share, profitability, and efficiency. A direct link between dumped imports and material injury was established, resulting in a 30.60% antidumping duty on imports from the dumping country for five years, with exemptions for specific export-oriented or grant-in-aid projects. This case underscores the importance of regulatory measures to protect domestic industries, thus ensuring fairness in international trade. These principles apply broadly across industry to promote economic stability.

Keywords: Antidumping; Dumped Imports; Dumping Country; Material Injury; Pakistan; Vinyl/PVC Flooring

Introduction

Fair trade is globally recognized as an essential instrument for economic growth and to strengthen the nation. To support this framework, the World Trade Organization (WTO) has introduced trade remedial laws including regulatory measures such as Antidumping laws which ensure that there is fair competition.

Antidumping laws and measures are instituted by governments to safeguard domestic industries from unfair trade practices, particularly cases of dumping, which occur when foreign producers opt to sell products in overseas markets at lower prices than their domestic market or production costs (Finger, 1993). This research provides a literature review to explore various dimensions of antidumping measures and their effects on domestic industries, using the case study of an antidumping duty implemented on specific products being imported from a Dumping country.

Antidumping laws and measures, such as the implication of antidumping duties, are justified when it proven that material damage is caused to the domestic industry through dumped imports. Material injury can be exhibited in various forms, including declines in capacity utilization, market share, profits, and other economic indicators (Hakro & Shah, 2006). Any determination of material injury typically involves assessing factors such as price suppression, the capacity of dumped imports, price undercutting, and their negative consequences on domestic industry performance.

Determining a fundamental connection between dumped imports and material damage caused to the domestic industry is crucial for implementation of antidumping measures (Finger, 1993). This relationship demonstrated that the dumped imports directly impact domestic industry. Additionally, assessing dumping involves determining whether the imported products are being traded at lower prices than the normal prices. The price difference can be determined through various methods such as a comparison of export prices to domestic prices or production costs. Antidumping measures, including antidumping duties, are typically imposed within a defined timeframe of upto five years,

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with an objective of providing temporary relief to domestic industries while they adjust to the adverse effects of dumping. Moreover, antidumping measures may include exemptions from certain types of imports, such as inputs used in exported products or for specific projects, to avoid unintended negative consequences on export-oriented industries (Finger, 1993).

Against this backdrop, imposing anti-dumping duties aims to restore fair competition in domestic markets by offsetting the adverse effects of dumping practices. Antidumping duties are also imposed as a tariff on the imported goods, raising their prices and making them less competitive compared to domestic products. However, it is pertinent to look upon the potential risks and effects of antidumping measures, such as retaliation from trading partners, disruption in global trade patterns, and potential consumer welfare losses due to higher prices.

Research Objectives

The key objective of this case study is to examine and analyze the impacts on the domestic industry based on dumped imports. After a thorough investigation and analysis, the study outlines the causes and outcomes of the dumped imports. It provides recommendations to regulatory authorities and industries to understand the material damage or injury caused to the domestic market through the dumped imports.

The objectives of this study are as follows:

- To initiate the investigation against dumped imports of Vinyl / PVC Flooring exported by all exporters/ producers from Dumping countries
- To encourage the Commission to enforce antidumping tariffs on dumped imports regularly
- To reduce and prevent injury to the domestic market / industry
- To consider the Export potential of Pakistan for these products

The structure of the remaining sections of the case study is as follows:

- Section 2 presents literature review, providing the theoretical basis for empirical studies on the topic
- Section 3 outlines the research methodology,
- Section 4 presents empirical findings along with a discussion
- The last section concludes the case study, offering policy implications and recommendations for future research.

Literature Review

Trade Remedial Laws in WTO:

For the smooth flow of goods several steps are being taken in international trade to implement tariffs and quotas between global trading members of WTO. However, there are exceptions when trading members exploit this advantage and take actions against measures of dumping activities, thereby, offsetting relevant subsidies. These contrary actions can inhibit imports on a temporary basis to safeguard domestic industry by adhering to trade remedial laws.

The main objective of trading after the development of WTO was to prevent unfair trade practices in the global economy and offer temporary remedies to importing countries (Ali, Irshad, & Khuhro, 2022).

Management of Trade Remedy Laws (TRLs) in Pakistan:

The National Tariff Commission (NTC) has been assigned the administration of Trade Remedy Laws (TRLs), as per the National Tariff Commission Act, 1990. These trade remedial laws are administered by the Commission which follows studies, investigations, preparation of reports and making recommendations to the Federal Government on Tariff Protection. Protection to the native industry provided by the Commission helps in improving the competitiveness of local industry and export enhancement in Pakistan. It has also been granted quasi-judicial authority to conduct investigations, impose antidumping and countervailing charges, and adopt safeguard measures where necessary.

What is Dumping?

Dumping is described as the practice of selling a large volume of goods at prices below fair market value (Government of Pakistan, 2000). More specifically, dumping occurs when goods are sold internationally at a price lower than the one charged domestically, referred to as the "normal" or "fair value." This practice is deemed unlawful if it poses a threat or causes significant harm to industries in the export market where prices are lower (Government of Pakistan, 2000).

As outlined in Article 2 of the Agreement on the Implementation of Article VI of GATT 1994, dumping occurs when a product is exported from one country to another at a price below its

comparable value, under normal trade conditions, in the exporting country's market. In such cases, the product is considered "dumped" under this agreement, as it enters a foreign market at less than its regular value (World Trade Organization, 1994).

The Antidumping Duties Ordinance of Pakistan (2000) also defines a product as dumped if it enters the Pakistani market at a price below its normal value (Government of Pakistan, 2000).

The most concerning problem is when the customers' interests are completely disregarded by the investigating authorities during the period of the inquiry. Even if they do not provide a provision for consumer input, statutes dealing with price are closely tied to concerns pertaining to consumers. The government represents consumers in all pricing-related topics when interacting with manufacturers and merchants. Nevertheless, the government's aims may conflict with the consumers' best interests (Finger, 1993). Laws pertaining to antidumping were passed to support domestic industry, which is unquestionably the legislators' top priority. However, the issue arises when these duties are imposed, and the public is negatively impacted by the high costs of domestic industry.

Gaps in Antidumping Laws of World Trade Organization & Pakistan:

Before the adoption of GATT in 1947, antidumping was not governed by international law, despite the League of Nations investigating dumping as early as in 1922. While GATT Article VI criticized dumping, it did not render it 'illegal'.

Finger (1993) has strongly articulated antidumping laws in the extant literature and termed it as "economic nonsense" and that customs valuation is manipulated. There are a few significant flaws in Article VI of the GATT of 1994, and the member nations have incorporated these flaws into their national laws. Pakistan's national legislation likewise exhibited these flaws (Mickus, 2002). The issues raised are brought to light in a way that might benefit appropriate stakeholders.

Export Price & Normal Value

1) *No-like Product:*

Many issues occur with identifying the usual value, particularly when a product that is allegedly being dumped in the exporting country is not made there. In these circumstances, the normal value is established by comparing prices from other manufacturers or sellers, usually in the domestic market, against prices in a third country. According to Article 2.2 of the 1994 General Agreement on Tariffs and Trade (GATT):

"The percentage of dumping shall be determined by comparison with a comparable price of similar goods when exported to an appropriate third country, provided that this price is representative, or with the cost of production in the country of origin plus a reasonable amount for administrative, selling, and general costs and profits. If there are no typical sales of similar goods in the normal course of trade in the exporting country's domestic market, or if specific market conditions or low sales volume hinder appropriate comparisons" (World Trade Organization, 1994).

The Anti-Dumping Duties Ordinance of 2000 in Pakistan states in section 6:

"Normal value based on export price to a third country or on constructed value" (Government of Pakistan, 2000).

- 1) The Commission will determine the normal value of a product under investigation, in cases where there are no typical sales in the exporting country's domestic market, or where such sales are not suitable for comparison. In these situations, normal value can be based on either:
 - A. The price of the same product sold in a relevant third country, provided that the price is fair; or
 - B. The cost of manufacturing in the exporting country, plus reasonable allowances for general administrative expenses and profits.

These regulations offer guidance for instances where there are no or insufficient sales of a similar product. In such cases, the normal value should be calculated based on the production cost in the country of origin, along with a reasonable allowance for profit and selling, general, and administrative costs (SG&A).

Regarding this theory, Phillip Bentley (2007) QC wrote that, if this concept is followed, the local price—no matter how high or low—is meaningless. Instead, the focus should only be on the "cost of production for export sales". In a situation when export prices fully withhold production costs, antidumping action ought to be excluded.

2) *Countries with Minimal Import Barriers:*

The trading countries like Hong Kong that have low import barriers are unlikely to be able to keep exclusive prices for most products in their domestic market, much alone be able to offer their goods at a discount. Because of imports pressure, domestic pricing cannot attain high profit margins. Consequently, exporters will no longer be able to make significant profits from domestic sales alone; rather, they have to make a profit on their own (Hassan, 2017).

Injury Determination & Assessment:

The determination of whether the relevant industry in the importing country has suffered injury raises several questions. The procedure for determining an injury is covered under Article 3 of GATT's 1994 Article VI (World Trade Organization, 1994).

Damage assessments require strong evidence, which involves analyzing the volume of dumped imports, their effects on domestic product prices, and the implications for domestic firms. There are several types of injury including significant delays in establishing a domestic industry, potential harm to that industry, and actual damage. When evaluating the impact of imports, several factors are considered, such as whether dumped imports have significantly undercut prices, led to substantial price decreases, prevented potential price increases, or resulted in significant changes in domestic production or consumption levels.

It is crucial to analyze both actual and potential declines in output, sales, profits, market share, productivity, return on investment, and capacity utilization in assessing the effects on the domestic industry. Additionally, it is important to consider factors that influence domestic prices, the extent of the dumping margin, and any actual or potential adverse effects on cash flow, inventory levels, employment, wages, growth, and the ability to attract capital or investments (Hakro & Shah, 2006).

Even with the criteria provided in Article VI of the GATT, 1994 and national Antidumping laws, defining what is "material" remains a challenging task. Thus, despite "continuing improvements," it is true that the damage side mentioned in the legal Agreement is less established than the dumping side. The essential ideology of injuries is not explained in depth while its practical implications show a great variation.

Public Interest or Community Needs:

Article VI of GATT, 1994 does not include this section, and Pakistan's Antidumping Duties Ordinance, 2000 does not address it either. Nevertheless, Article 33 of Dumping country's antidumping regulations discusses this clause, which is also included in the EU Antidumping Regulations.

Since the common interest clause seems notable and liberal, the more moderate member states like to utilize it frequently, despite its limited practical relevance. The common interest was considered by the EU's investigative agencies issued a recommendation that was applied in every case (Mickus, 2002). It may be suggested that relevant stakeholders implement a criterion to safeguard the public interest like the EU and Dumping countries. It would be excellent if this provision was included in the national legislation of each of the member countries.

The public or community interest, which has recently been included in some territories, but it is still missing from Article VI of the GATT of 1994 and Pakistan's national legislation. Nevertheless, this case study draws attention to the points that were not practiced or are being addressed in the industry.

Research Methodology

One of the authors was the lead manufacturer who instigated the Commission to initiate the investigation against dumped imports of Vinyl / PVC Flooring that were exported by all exporters/producers from Dumping countries. The antidumping duties on dumped imports were also being imposed on timely basis to avoid injury to the domestic industry. Real life project was selected to test the research hypothesis. The study has employed a qualitative research design to examine the impacts of these practices on the domestic industry.

The study has incorporated qualitative case study approach. This research methodology aids in identifying and examining a phenomenon within a particular context, employing various exploration techniques to comprehensively investigate its multiple dimensions. Likewise, this study adopted a systematic approach to analyze real-time phenomenon. The timeframe for this study to investigate dumping was from January 1, 2021, to December 31, 2021, whereas for investigating material injury it was from January 1, 2019, to December 31, 2021.

Findings & Analysis

1) *Identification of Industry*

The term "domestic industry" refers to all domestic producers of a similar product or those whose combined output represents a significant share of the total domestic production of that particular product. However, if any of these domestic producers are connected to exporters or importers, or if they are importers of the allegedly dumped product themselves, then "domestic industry" may instead refer to the remaining domestic producers.

In terms of domestic production, there are no manufacturer of Vinyl/ PVC Flooring in Pakistan except Local manufacturer is the sole manufacturer of Vinyl / PVC Flooring. It was also highlighted that it does not have any industry association nor any relationship with the foreign exporter or producer, or with any Pakistani importer of the product under consideration who have imported the product during the dumping investigation period.

2) *Identification of Product*

According to the Antidumping Duties Act of 2015, a product can be inquired only if the product is domestic in nature and possesses similar characteristics to an imported product. The product identified was Vinyl / PVC Flooring in different forms and shapes such as tiles, planks, rolls etc. More than 80% of the demand was for Vinyl / PVC Flooring Planks with major use in Residential and Commercial areas. The following two major products were imported under the same head in addition to the Vinyl / PVC flooring.

- **PVC Door Mats or Coil Mats:** PVC Door mats and coil mats were being imported under this head. The increase in imports has been seen after the latest federal budget, and it is suspected that the importers are getting benefit of the 20% abolishment of Regulatory Duty under this classification. It was recommended that classification of head code for this product be either adjusted or separated.
- **Flooring Sheet:** Local manufacturer manufacture Vinyl / PVC flooring by fusing three layers together - base layer, flooring sheet and wear layer. The flooring sheet gives the wooden texture to the flooring sheet and was imported from Dumping country. It is used as a raw material in the manufacturing process and is currently not available in Pakistan. This sheet comes in roll form with a thickness of 0.07mm with flooring texture on top. Currently, this product comes under the same duty structure as the finished Vinyl / PVC flooring product. It was recommended that classification of the head code for this product should be separate, so it became clear that what is being imported as a raw material for the manufacturing process and what gets imported as a finished product.

Imported Product:

Vinyl / PVC Flooring (Description as per the import data varies with different naming nomenclature, however, primarily the product is Vinyl / PVC Flooring) comes in different forms and shapes such as tiles, planks, rolls. In the latest federal budget additional Custom Duty has been reduced by 1% and Regulatory Duty was abolished. Nevertheless, the product which is imported is the same as the product which is being produced domestically.

3) *Identification of the Producer(s)*

The domestic industry is aware of 20 producers of the investigated product in the dumping country. However, there may be additional producers of the same product in that country that are not known.

4) *Identification of the Exporter(s)*

As highlighted in the previous section, and in addition, there are some companies whose details could not be found or sourced from the company directories. It is suspected that these are the trading companies that exist either in the Dumping country or in UAE to help in moving the shipments.

5) *Identification of the Importer(s)*

13 importers of dumped products were identified. However, several more importers of the imported product/product were concerned.

6) *Export Price*

The export price is defined as the price charged for the investigated product when sold from the exporting country to Pakistan. There are various methods to determine this export price, with the most effective being the use of the direct ex-factory price intended for export (Boltuck, 1991). If the

export price for each identified exporter is unavailable, it can be calculated by taking the cost and freight (C&F) price of the dumped product and deducting the total expenses incurred from the point of importation in Pakistan to the factory gate.

7) *Normal Value*

There are multiple methods for establishing Normal Value, that represents the typical price paid for similar products sold in the domestic market of the exporting country. If it is not possible to determine Normal Value based on sales prices, it can be calculated using the production costs in the exporting country, along with a reasonable allowance for administrative, selling, general expenses, and profits.

In case where neither sales prices nor production costs can be used, Normal Value may be based on the price of comparable products exported to a third country, provided this price is a representative. If none of these methods are applicable, a constructed method may be utilized to determine Normal Value (Boltuck, 1991).

Normal value has been determined by the local domestic invoices in Dumping country. Indirect taxes such as local 13% VAT tax have not been included in this price. Invoices were sourced from Dumping countries and price has been categorized into manufacturers, wholesalers and retailers based on the pricing assumption. Exact level of trade for prices is not known; hence, certain assumptions have been undertaken in regard to freight, insurance and margin (Felbermayr & Sandkamp, 2020).

8) *Dumping Margin*

The dumping margin for a product represents the difference between its normal value and export price, calculated by subtracting the export price from the normal value. To determine the absolute dumping margin, the ex-factory normal value is compared to the ex-factory export price (Khan, 2024). For the dumping country in question, this dumping margin was calculated to be approximately 230% on an ex-factory basis.

This calculation is crucial for identifying unfair trade practices and implementing appropriate trade remedies. Understanding the dumping margin helps authorities assess the impact of dumped imports on the domestic industry and determine whether anti-dumping measures are necessary to protect local markets.

9) *Injury*

Injury refers to significant harm or potential harm due to dumped imports in the domestic industry. It can also indicate a substantial delay in the development of the domestic industry because of these imports. Dumped imports have always been a primary concern for the domestic industry (Pistikou & Ketsetsidis, 2023). Since the inception of local manufacturer, they have been the sole manufacturer of Vinyl / PVC Flooring in Pakistan. Over the last two decades, they have been facing unfair competition from the importers bringing in the dumped products (Bilal, 2024). This injury started hurting the domestic industry as the imports started to increase exponentially. The dumped imports from Dumping countries are offering a price extremely below than its cost to produce and sell.

In 2019, the valuation of vinyl flooring under classification of heads was filed. After several months of investigation and three hearings, the valuation ruling was fixed at USD \$1.40 per sq. m, which was still below the par cost of manufacturing the product. Before the valuation ruling, Vinyl / PVC flooring was being imported at different price points ranging from USD \$0.45 - \$1.00 per kg. The unit of measurement under this classification of head code was changed from Kg to Sq. m afterwards.

10) *Volume of Imports*

According to Section 15(2) of the Act, concerning the volume of dumped imports, the Commission will assess whether there has been a notable rise in dumped imports, either in absolute terms or in relation to production or consumption in Pakistan (Customs Today, 2020). The volume of dumped imports increased significantly in absolute terms, i.e. more than 200% over the last three years. The only attraction for the importers to buy the investigated product from Dumping country is their lesser prices than the domestic industry, with its state-of-the-art production facility, is fully capable of producing the required quality. The import volume clearly shows a significant increase in the imports facilitated by the under-invoiced assessment and valuation. Whilst the import volume has

been increasing YoY, the domestic product production and sales have been decreasing YoY as stated above resulting in injury to the domestic industry (Pistikou & Ketssetsidis, 2023).

11) Sales & Outputs

Analysis was done for a yearly breakdown of the local sales from local manufacturers against the import of the dumping product. It is pertinent to mention that more than 90% of the imports are from the Dumping Country. There is very limited import of vinyl flooring from rest of the world. Even though the import price is clearly more than the declared value of \$1.60 / sq. m as compared to the rest of the world. The data clearly shows that how the local production has been affected due to the unfair pricing and valuation in Pakistan and decreased the domestic market share from approximately 46% to almost 8%. If the same trend continues it is possible that the domestic industry will come to an end. It is pertinent to mention that Local manufacturers have started export of Vinyl Flooring to Sudan and UK, being the first manufacturer in Pakistan, to achieve this milestone at a price of USD \$2.90 per sq. m. The irony of the matter is that the exports are being made at more than double price of the import value. The domestic industry does not demand any favor rather than fair competition and level-playing field (Pistikou & Ketssetsidis, 2023). If such environment is not provided in time, then the domestic industry will not be able to survive and can meet its end of the production in Pakistan. Exports are only feasible if domestic sales continue and in such scenario of excessive dumped products domestic sales have already dropped to 20% of the market share with further decrease envisaged in the coming year.

Moreover, it was analyzed that increased share of dumped imports and decreased share of the domestic industry from 46% to 8% in the domestic market during the last year of the investigation period are evident of the fact that dumped imports materially injured the domestic industry on account of actual as well as potential decline in sales and market share.

As per inventory, it is important to mention that Local manufacturer Industries make several products from PVC. From 2019 onwards, it was evident that the dumped products have started to flood the market with a multiplier effect of price suppression, they pre-empted the move and shifted the focus on other products. As Vinyl Flooring domestic sales started to decline, sales of other products such as PVC Water stopper, PVC Wall Panels, Car Accessories, Wall Cladding started to substitute the sales deficiency. Being the manufacturer, innovation and improvisation is essential for survival (Felbermayr & Sandkamp, 2020). In this instance, the star and cash cow product, i.e. Vinyl Flooring, suffered due to the dumped products. Being the manufacturer, the advantage was minimal lead time to market. Hence, the inventory at hand was kept at a minimal level, which assisted in working capital management as the sales started to drop.

As per the inventory details, it can be seen in conjectures with the reduced production and sales of the domestic industry due to the significant increase in the imports dumped. The domestic industry experienced significant injury due to reduced production during the investigation period. Additionally, the severe price undercutting caused by dumped imports poses an ongoing threat of further material injury to the domestic industry, leading to additional declines in production and sales (Prusa, 1997).

12) Price Effects

Price Undercutting: It was observed that there has been a significant undercutting in the prices of the dumped product from dumping country starting from 186% in 2019 to 125% in 2021. In 2020, the new valuation ruling was imposed that reduced the percentage difference below 100%. However, after the removal of Regulatory Duty the price difference increased (Bilal, 2024). It is pertinent to mention that during the last one-year PVC has seen the most significant price surge in history and all PVC related products prices jumped except the dumped product which remained stable. With these pricing placements and price points, it was very easy for the dumped product to increase its market share from 60% to 80% and reduce the domestic industry market share down to less than 10%. The domestic industry increased its prices in line with the increase in the production cost, it would have faced more price undercutting resulting in more lost sales and market share (Koutrakos, 2015). It is pertinent to mention that if the landed cost is calculated at the normal value i.e. the true ex-factory cost in the home country, the difference was only 7% as compared to more than 100% price undercutting margins. From the above analysis of price undercutting, it is quite clear that the domestic industry faced material injury resulting from price undercutting during the investigation period which has a future risk of material injury or damage owing to the low prices of dumped imported products.

Price Depression: Due to the imported dumped product, prices cannot be increased in proportionate to the increase in the cost of the product itself (Koutrakos, 2015). Increase in cost has not been proportionally allocated to the Vinyl / PVC flooring sale price. The reason is the impact of the dump imported product. International commodity prices of PVC resin and plasticizer being the two major raw materials for the Vinyl / PVC flooring hiked up by at least 3 times, however it is evident that the dumped imported product did not let the local industry to increase their cost base in line with the ground realities and resulted in severe price depression and led to price suppression in the investigation period.

From the above analysis of the price depression, it is evident that the domestic industry faced material injury resulting from dumped imported products during the investigation period, which has a future risk of material injury or damage owing to the low prices of dumped imported products.

In the past three years, the difference between production costs and distribution prices has nearly vanished, largely due to dumped imports. On one hand, price undercutting has prevented the domestic industry from upsurging prices in line with production costs. On the other hand, dumped products have significantly eroded the margins of the domestic industry in the last year. The price suppression faced by the domestic industry can be attributed to dumped imports being priced at least 110% below their fair value. In a fair competition scenario, the domestic industry can raise prices enough to cover increased production costs (Bilal, 2024). Consequently, without dumping, price suppression would not have occurred. Therefore, dumping is identified as the primary cause of the suppressed prices in the domestic industry, leading to a threat of material injury in the near future. The dumped imports, which have a dumping margin of 230%, clearly prevented manufacturers from significantly increasing their prices as they could do in normal circumstances. This has resulted in material injury to the domestic industry due to significant price suppression, with an ongoing risk of further material injury in the imminent future.

13) *Profit & Loss*

The profits of the domestic industry are classified as confidential information under Section 31(3) of the Act, as disclosing this information could provide a competitive edge to competitors and adversely affect manufacturers (Felbermayr & Sandkamp, 2020).

Consequently, confidentiality is maintained under Section 31(2)(a) of the Act. To ensure a clear understanding of the information provided, a non-confidential summary that adheres to Section 31(5) of the Act has been included. The domestic industry produces various products, including Vinyl/PVC flooring, and for simplification, the profitability of this specific product with the sale value indexed at 100 used in this case study. Based on the previous discussion, the decline in profits for the domestic industry can be linked to dumped imports in two primary ways (Mickus, 2002):

- i. **Reduced Sales:** The domestic industry experienced a loss of over 20% in market share during the investigation period due to a rise in dumped imports and aggressive price undercutting.
- ii. **Squeezed Profit Margin:** The low prices of dumped imports prevented the domestic industry from increasing its prices in response to the rising raw material costs, hindering their ability to cover production costs adequately and impacting profitability negatively.

This analysis indicates that the domestic industry has suffered material injury due to its profitability. It is also at risk of future material damage because of the significantly high volume of dumped imports at lower prices.

14) *Production Capacity Utilization*

The domestic industry is operating significantly below capacity, even when considering production for just one shift (Hakro & Shah, 2006). This underperformance is mainly attributed to a loss of over 20% market share during the investigation period and an increase in dumped imports. Additionally, these imports have prevented the domestic industry from capturing its rightful share in the domestic market. Without dumping and the resulting inflation in dumped imports, the domestic industry would have been able to secure its appropriate market share and achieve higher capacity utilization. As a result, the domestic industry has suffered material injury from both current and potential reductions in its production capacity utilization, along with a continuous risk of additional material injury in the near future.

15) *Employment, Salaries & Wages*

The domestic industry manufactures multiple products, and multi-skilled labor is an advantage for the manufacturer, as they can be used to manufacture other products in case any one

product production eases or reduces (Prusa, 1997). It is evident from the above table that there has been an increase in the number of employees from 2019 to 2020. However, no inflation was evident in the subsequent year. It is pertinent to mention that increase in employment was due to the introduction of new products by the manufacturer. If there had been no imported dumping product, domestic industry would have increased its sales and certainly would have resulted in an increase of at least 20% on the employee base. This caused the domestic industry to suffer from material damage to dumped imports during the investigation period as it did not let the domestic industry boost its production.

16) *Growth*

Growth in Vinyl / PVC Flooring can be observed by determining the domestic industry and the dumped imported product share in the market. There is no growth trend for the domestic industry for Vinyl / PVC Flooring. The domestic market share has been systematically eroded during the investigation period as increased volume of dumped products coupled with price undercutting and price suppression has replaced the domestic industry market share. The sharp increase in dumped imports poses an imminent threat to the domestic industry (Khan, 2024). If this is not averted on a war footing basis, the domestic industry may have to stop production of this product, and it will revert to 100% imported products with no substitute available in the domestic market. This in turn poses a big threat to the manufacturer with its huge investment at stake.

17) *Return on Investment*

The return on investment has been calculated based on company-wise data. The domestic industry makes multiple products, and it is not a straightforward analysis to isolate the ROI of the Vinyl / PVC flooring from rest of the products. As mentioned above, the domestic industry introduced new products in 2020, foreseeing the decline in the sales of Vinyl / PVC flooring. This helped in the survival of the domestic industry as it shifted its labor work force to manufacture other related products. The above analysis is done at the company product portfolio level; however, it is safe to say that the reduced profitability of the Vinyl / PVC flooring has contributed negatively to the ROI percentage. Now, it can be inferred that the domestic industry has experienced material injury due to several factors. Moreover, there is also a potential risk of further material injury resulting from a decrease in return on investment.

18) *Cash Flow*

Cash flows from operations provided above are provided at the company level which includes other products. It seems impossible to segregate the cash flows for the similar domestic product. Even if the performance of the similar domestic product is analyzed, reduction of profitability, particularly in 2021, depicted that cash flows from operations of the similar domestic product were also severely affected, which contributed negatively to the cash flows from operations (Koutrakos, 2015). It has been explained in detail in the above paragraphs that dumped imports increase to more than 200% during the investigation period which not only resulted in lost sales but also suppressed the prices of the domestic industry (because of undercutting) that contributed towards the reduced profitability of the particular industry. Therefore, the domestic industry experienced material damage on cash flows owing to dumped imports during the investigation period and in this regard, there is also a further risk of material injury.

19) *Causal Link*

It is critical to determine the injury caused by establishing a relation between the dumped imports and injury caused to the domestic industry. A determination of the injury caused includes increase in the volume of the dumped imports and consequences of the dumped imports on prices in the domestic market for the similar products and the subsequent influence of these imports on domestic producers of that product (Khan, 2024). The findings clearly depict that the imports of the investigated product from the dumped sources remained voluminous during investigation period and in fact increased more than 200% during the investigation period at prices that undercut the prices of domestic industry throughout the investigation period and caused price suppressing effect. The adverse effect of such increase of 200% during the dumping investigation period over previous year suppression can be seen on production, sales, capacity utilization, productivity, profitability, cash flows and return on investment which showed a decreasing trend during the investigation period.

This increase in volume of dumped imports was because of their highly dumped prices with dumping margins of 228% that undermined the domestic industry's prices by more than 100%. As a

result, market share of imports from dumped sources increased from 54% in 2019 to 92% in 2021. Such huge increase in volume of dumped imports severely affected sales of the domestic industry which reduced from 46% in 2019 to 8% in 2021.

The domestic industry was unable to raise its prices in line with the increase in production costs keeping in view the price undercutting faced in the first two years and increasing volume of dumped imports during timeframe. Therefore, the price suppression which ultimately affected the profits of the domestic industry during the investigation period. Consequently, domestic industry suffered material damage.

It is pertinent to mention that the trend of Vinyl / PVC flooring in Pakistan has increased. The market trend analysis highlight that Vinyl / PVC flooring has a significant growth trajectory in the coming years. This is an opportune time for the domestic industry to flourish and become a part of the growth success story. However, due to the factors mentioned above the dumped import products are not only hindering this growth but also posing a threat for survival of the domestic industry.

The domestic industry bought a new production unit to replace the old production line with new technological advancements with a better production capability and efficiency. For the last two years, the domestic industry was unable to do replacement due to the reduced sales, declining market share and increase in the dumped product volumes. The domestic industry does not see any benefit in this investment and is currently unable to generate return on this investment. Such hurdles to the technological advancements curb the innovation and creativity in the domestic industry.

Conclusion

Antidumping measures plays a crucial part in safeguarding the domestic industries from the adverse consequences of unfair trade practices like dumping. However, their effectiveness and implications warrant careful consideration. These practices can have significant impacts on international trade dynamics, domestic industry competitiveness, and consumer welfare. Future research should continue to explore the multifaceted nature of antidumping measures and implications for global trade governance.

In conclusion, the investigation determined that domestic industry has endured significant material injury because of the dumping of imports, as evidenced by various indicators such as volume increase, price undercutting, and decrease in market share, capacity utilization, profits, and other key metrics. There is an evident relation between the dumped imports and the injury suffered by the domestic industry during the investigation period.

Following this determination, a definitive antidumping duty of 30.60% ad valorem was imposed on the dumped imports of the investigated product from the dumping country (Bilal, 2024). This duty will be in effect for five years, starting from October 29, 2022. However, imports of the investigated product that are used as inputs in goods intended solely for export or in foreign grant-in-aid projects, and which fall under customs duty exemption schemes for exports or such projects, will be exempted from the antidumping duty, in line with the applicable provisions of the Customs Act, 1969 (IV of 1969) (Government of Pakistan, 1969).

Recommendations & Future Directions

The case study outlines important suggestions for policy makers and industry stakeholders to mitigate material injury to the domestic industry caused through dumped imports and foster a more sustainable and competitive trading environment:

- I. A robust monitoring and enforcement mechanism to guarantee that the duty is effectively applied and enforced on dumped imports. Close coordination with government agencies, customs authorities, and industry stakeholders is crucial to prevent evasion of antidumping measures.
- II. Periodic review/assessments of the effectiveness of the antidumping duty and its impact on the domestic industry to adjust/extend imposition of duty.
- III. Diversification of export markets and reducing reliance on imports from any manufacturer or on a single product category, by incentivizing domestic manufacturers to cultivate innovation and product differentiation.
- IV. Capacity-building/technical assistance to enable domestic manufacturers to compete globally and adapt to dynamic market conditions.
- V. Engagement in bilateral or multilateral negotiations to address the root cause of dumping and unfair competition.

- VI. Awareness among consumers regarding the importance of supporting domestic industries and the potential consequences of purchasing dumped products.

Limitations

Though the proposed antidumping measures and material injury were explored with case investigation of a single industrial product, for a better understanding, other industrial products from large as well as small-medium enterprises industry can also be investigated. Secondly, the findings presented in this study can help mitigate the risk of the material injury to domestic industry which is caused through dumped imports by adopting best antidumping practices.

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