

Parliament to allow dumping?

Business is watching a controversial Bill soon to appear before Parliament that could harm local industries.

A trade Bill - the Trade Anti-dumping & Countervailing Measures Amendment Bill - would let subsidised products be dumped in New Zealand, to the disadvantage of local building materials manufacturers.

Under World Trade Organisation rules it is an offence to sell a product overseas for less than it is sold in its country of origin. Anyone dumping product overseas can expect to receive WTO penalties, and if anyone dumps product in New Zealand we are able to activate WTO penalties against them.

In recent years New Zealand has had penalties in place against China, Thailand and Malaysia for dumping subsidised building materials here.

However these penalties were suspended in the wake of the Canterbury earthquakes because of concerns about the cost of building materials for the Christchurch rebuild.

The suspension of penalties, for three years, was to allow more low-cost building materials to be imported during the critical time of the Christchurch rebuild. The three-year period is now over and now a decision has to be made on what to do about dumping.

The trade Bill proposes a solution: allowing dumping without penalties in the New Zealand market as long as it is 'in the public interest'. The Bill proposes a test that would weigh up whether the benefit to consumers outweighed harm to the domestic industry. If so, the dumping would be deemed to be in the public interest and penalties would not be imposed.

There is a lot wrong with this approach. Pitting local consumers against the local industry using a subjective public interest test would not solve the problem of dumping.

It would cause particular problems for local manufacturers of building products.

Lower priced steel and other building products are currently flooding onto international markets as a result of industrial policies in China and elsewhere. The glut of steel production - priced lower in New Zealand than in its country of origin - has the ability to seriously damage the New Zealand steel industry.

With New Zealand's particular concerns around housing shortages and affordable housing, it could be easy to see a public interest test giving the green light to largescale dumping of subsidised building products.

Concerns about the cost of New Zealand produced building materials are understandable - New Zealand producers do not have the scale or the resources to compete on price against giant overseas producers.

But the response should not be to simply allow dumping, as this Bill would do.

A better response would be to allow competition so that prices can fall as low as possible – fair competition within WTO rules to ensure large producers do not take advantage of their scale by selling overseas more cheaply than in their home country.

The Trade Anti-dumping & Countervailing Measures Amendment Bill will shortly come to Parliament for more scrutiny after a select committee failed to agree on whether it should proceed.

The tied vote in the commerce select committee saw the Labour, NZ First and Green parties oppose Government plans to implement this Bill, so the Bill's prospects will now depend on the vote of other parties represented in Parliament.

How they vote will tilt the playing field towards fair or unfair competition in the New Zealand market for years to come.

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