

Submission to the Productivity Commission's Draft Report on the Anti-dumping and Countervailing System of 10 September 2009.

This is a very brief submission to the Productivity Commission in response to the Draft Report on Australia's Anti-dumping and Countervailing System released on 10 September 2009. I apologise for the lateness of the submission – unfortunately only recently did I become aware that this inquiry was underway.

I consider I am well qualified to comment on the Draft Report, having worked for some 30 years on trade policy in several contexts:

- as a researcher and ultimately Assistant Commissioner at the Industries Assistance Commission;
- as a research economist at OECD;
- as Visiting Economist at the Trade Practices Commission;
- as a senior consultant with two respected consulting companies - ACIL Tasman Pty Ltd and CRA International Limited;
- as an economic adviser with the World Bank and other international agencies in several developing countries; and finally
- on consultancies and teaching assignments while in my current position as a Visiting Fellow at the Crawford School at the Australian National University.

I would point out that this is a personal submission.

I wish to comment in particular on two components of the argument the Commission seems to rely upon to reach its conclusions in the Draft Report. One is that idea that the so-called 'traffic policeman' effect of the antidumping system (ie, its tendency to encourage foreign suppliers to lift the prices of goods sent to Australia defensively so as not to attract antidumping duties), is minor. The other is the idea that the antidumping system is a concession which garners support for the wider objective of trade liberalisation.

Neither proposition is supported in the Draft Report. That is to say, no empirical evidence is brought to bear on either issue. Admittedly, quantitative evidence would be difficult to obtain in each case. However, in my view, since the subject under discussion is a protective device with hidden effects, the default position with these 'excuses' for it should be to disbelieve them, with acceptance of them depending on a demonstration that they are positive from a national point of view. The Commission has taken the opposite approach to the onus of proof in relation to these two excuses.

My anxiety about these aspects of the Commission's line of argument is heightened by my awareness that both aspects are potentially very damaging. That is to say, in my view the downsides are significant.

- the traffic policeman effect has the particular defect that it delivers preferment to industries in an obscure and non-transparent way. Further, that preferment is

- provided in a form which is relatively expensive for Australian GDP in that unlike an import duty of equal protectiveness, for instance, no revenue is collected.
- The so-called system-preserving argument for antidumping is potentially damaging because in fact it may be making excuses for an instrument which in reality, together with the SPS (the Agreement on Phytosanitary measures) and the provisions for 'temporary' protection (Article XIX), has become the tail that wags the WTO dog. Having often been close to the operation of WTO in recent years, I would judge that the latter is the case – ie, that antidumping provisions have become more a part of the protectionist problem than a part of its solution. Misleading the public on this issue would be inimical to genuine trade liberalisation.

I would urge the Commission to re-think its position on these two aspects before finalizing its report.

Perhaps the simplest way to respond to my points at this late stage would be to add some phrases to both the Overview and the text stating that in neither case has the Commission had the benefit of any empirical information on those aspects one way or the other. At least this would make it clear to the astute reader how the Commission had handled the onus of proof on this occasion.

Perhaps a more forthright way of responding to my points, especially if my interpretation of the potential downsides is accepted, would be to both admit the absence of empirical evidence and recommend that the Government abolish the antidumping system forthwith.

Yours sincerely

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