

## Dumping pricing strategy: opportunities and threats

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International free trade agreements are believed to boost the world economy by pushing countries to identify the commodities and services they can provide most efficiently. Similarly to how buyers gain from sales, each country benefits by paying less for the things it purchases on global marketplaces [1]. Therefore, over the last two decades, in order to promote fair and unrestricted commerce, governments throughout the world have been subject the norms and regulations of multilateral trading institutions [WTO] and the International Monetary Fund [IMF]. However, the freedom of international trade seems to have problems and challenges. Dumping and other exporting nations' trade policies have become a serious danger to free and fair trade [3].

Market dumping is a challenging issue that many companies struggle with. The strategy involves selling products or services below their actual cost to gain a competitive advantage and increase market share. While this approach may seem profitable at first glance, it leads to the erosion and in some cases the disappearance of industries in markets where dumping is occurring for reasons unrelated to the relative competitiveness of those industries [5]. Put most simply, dumping enables less efficient firms to prevail over more efficient firms in international competition in the long-run.

Scientists have been widely studying the problem of dumping in both domestic and international markets for many years. Yang-Ming Chang and Mian F. Raza [2] examined which types of firms, from a developed market or a less developed market, tend to practice dumping, using a two-market equilibrium analysis of trade in similar products. These analytical results are consistent with the empirical findings that, on average, a DC firm's strategic choice of product quality is relatively higher than that of an LDC firm. From these comes that DC firms tend to apply AD policy almost already if they identify and characteristics of dumping on the domestic market. As such, DC's overall welfare is highest under the AD regime [2].

Overall, one of the primary benefits of market dumping for firms which implemented it, is that it can attract more customers. By lowering prices, companies can appeal to a wider audience and potentially gain new customers who would not have considered purchasing their goods or services otherwise. However, it is important to note that this tactic can also decrease competition, which could lead to a monopolized market. Moreover, such factor as "capacity utilization" existing for such firms too.

Over the short run, other things being equal, dumping firms tend to enjoy lower unit costs than comparable firms in markets where dumping is occurring because dumpers can operate their plants at higher rates of capacity utilization—a factor that often has a far greater impact on cost than any other consideration. Firms in the market where dumping is occurring cannot respond in kind if the market of the dumper is closed to them [5].

Despite its potential benefits, market dumping can also have adverse effects, especially for domestic market. As was mentioned previously, this approach can result in individual companies being expelled from the market, which can lead to market monopolization and limit consumer choice. Moreover, one of the unpleasant consequences for domestic producers is “investment deterrent” [5]. Over the longer term, dumping deters investment from entering areas where it is happening while simultaneously attracting more capital to the protected markets where dumping is occurring. This happens because investment risks are greater and returns are lower in markets where dumping occurs, while risks are lower and returns are higher in the market that is protected from dumping [5].

In turn, thread’s for dumping as a whole can be government regulations and powerful domestic market.

WTO provides member states a mechanism to deal with dumping practices known as the “Anti-Dumping Agreement.” Antidumping measures were developed in response to an exception to this arrangement: when an international business applies temporarily low prices to push competitors out of the market and subsequently elevates prices, a tactic known as “predatory pricing.” Thus, AD is often considered a trade barrier [3, 6].

Another side of the coin, one crucial concern is whether World Trade Organization does not see dumping as an unfair trade practice and thus does not necessarily support using antidumping duties. Here powerful domestic market which can tackle new competitor with dumping strategy and apply same illegal “predatory pricing” policy, handling it much longer than competitors. It, definitely, can harm similar business actors and competitors, however in real-life cases the main purpose is to eliminate case of instability on the market. Also, implementing a dumping strategy can cause financial difficulties, leading to deteriorating financial performance and even the company's inability to carry out debt obligations [6].

To wrap it up, although the fact that unconstrained dumping can gradually lead to a shift in competitive advantage has implications that extend beyond the firms directly affected, it is still “going by edge” policy. Dumping can help businesses attract new customers and lower competition, but it can also carry significant negative consequences. The best approach is to use market dumping as a short-term tactic only in case of full-awareness about market and future competitors, close to perfect balanced internal management and economics, in combination with a few powerful regulatory or marketing tools. In another way it can be turned unpredictably.

**Ключові слова:** Pricing strategy.

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